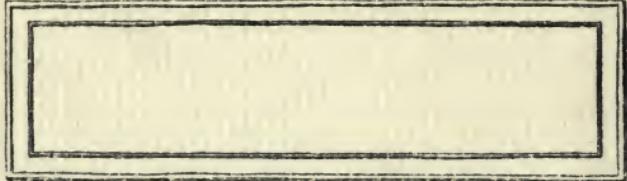
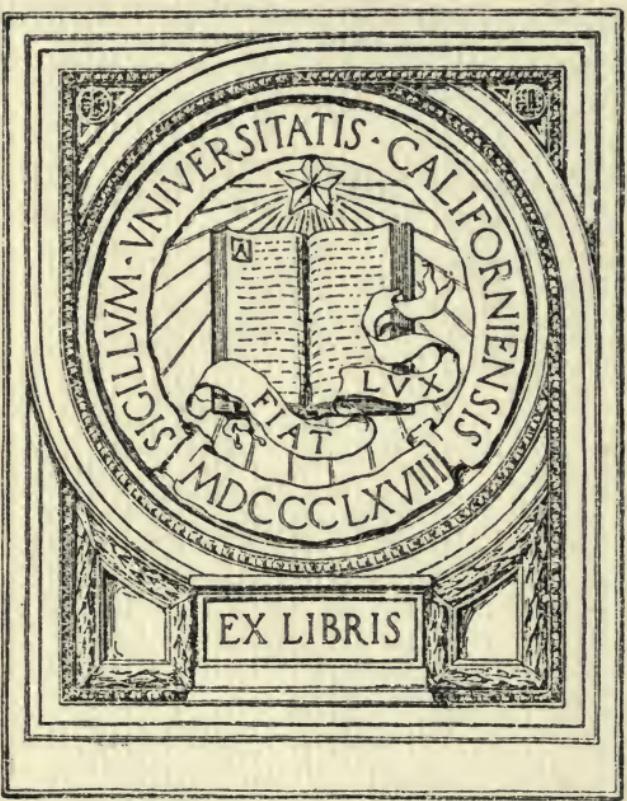


The
HOUSING FAMINE
A Triangular Debate
between
JOHN J. MURPHY
EDITH ELMER WOOD
FREDERICK L. ACKERMAN

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THE HOUSING FAMINE



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THE HOUSING FAMINE

HOW TO END IT

A Triangular Debate

BETWEEN

JOHN J. MURPHY
EDITH ELMER WOOD
FREDERICK L. ACKERMAN



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TO MARY
MORNING

Printed in the United States of America

BIOGRAPHICAL NOTES ON THE DEBATERS

John J. Murphy

Born in Dublin, Ireland, in 1865. Having completed, with much success, his high-school course, he entered the University, but family needs compelled him to abandon his studies. He came to New York in 1882 and experienced many of the hardships of the friendless immigrant. Here he came in contact with the housing problem, in the acute form in which it presents itself to the actual tenement dweller, for in those days regulation was unknown. For several years he worked at engraving and printing for the support of his family, wrote articles for papers and magazines and participated in several economic reform movements, among others, the Henry George campaigns. He became interested in the Good Government movement, and in 1901 was appointed Assistant Secretary of the Citizens Union. In 1903 he was elected Secretary of the City Committee of the Citizens Union, a position which he held until 1909. During these years he was active in the Municipal Art Society, the Reform Club and the National Society of Craftsmen, of which latter body he was Secretary for two years. In 1909 he was Secretary

of the Transit Committee of the Reform Club and directed a successful campaign for the exemption of the Subway and Dock Bonds from the computation of the city's debt. In this work he first met Judge Gaynor, whom he induced to support the measure, although previously opposed to it. On Judge Gaynor's election to the Mayoralty, he was appointed Tenement House Commissioner, an office which he held through the administration. When Mayor Mitchell was elected, he retained him in office. In January, 1919, the Tenement House Committee appointed him its Secretary, a position which he still holds.

Edith Elmer Wood

Edith Elmer Wood is the daughter of the late Commander Horace Elmer, United States Navy, and the wife of Captain Albert Norton Wood of the same service. These navy connections account for her having lived at various times in Europe, Asia and the West Indies, as well as on the Atlantic, Pacific and lake coasts of the United States.

Mrs. Wood is a graduate of Smith College and of the New York School of Social Work and holds the degrees of Master of Arts and Doctor of Philosophy (in Political Science) from Columbia University.

She is the mother of four sons, one of whom, the late Captain Thurston E. Wood, 12th Field Artillery, was killed in action during the World War.

She has always taken a keen interest in matters of health and public welfare. While her husband was stationed on the island, she founded the Anti-Tuberculosis League of Porto Rico and was for a number of years its president, during which time it was awarded a special gold medal by the 1908 International Congress on Tuberculosis for its achievements.

Mrs. Wood has been a contributor to various magazines and is the author of a number of works of fiction and travel, among which are *The Spirit of the Service*, a navy story of the Spanish War period, and *An Oberland Châlet*, a unique contribution to the out-of-door literature of Switzerland. She has devoted increasing thought of recent years to civic questions, and for several years past has centered her attention on the housing problem. An article of *Constructive Housing Legislation and its Lesson for the United States*, which appeared in *The Journal of the American Institute of Architects* in February, 1918, struck a new note and attracted much attention. Her book, *The Housing of the Unskilled Wage Earner* (Macmillan, 1919), which *The American Journal of Sociology*'s review hailed as "the first thoroughly scientific discussion of the problem in the United States," has been widely accepted as an authority.

Frederick L. Ackerman

Graduate and Residence Fellow, College of Architecture, Cornell. Sigma Xi. Pupil of Duquesne,

Paris. Sometime Lecturer in Architecture and Theory of Planning, Cornell and Columbia.

Member of the State Board for the Registration of Architects, New York State, 1916 to date.

Fellow of the American Institute of Architects.

Accredited representative of the American Institute of Architects and the Labor Division of the Council of National Defense to England 1917. Purpose of trip to investigate British War Housing schemes. Result of investigation published in *The Journal of the American Institute of Architects*, and later issued in publication entitled *What is a House?*

Member of the Mayor's original Congestion Committee; Committee on City Planning of the City Club, New York; Committee on City Planning, the American Institute of Architects.

Author of *The New Education of the Architect* (originally published in *The Journal of the American Institute of Architects*), and a series of articles for *The Journal of the American Institute of Architects*, entitled *Where Goes the City Planning Movement?*

Contributor to various publications upon subjects having to do with housing, town planning, architecture, etc.

PREFACE

BY JOHN J. MURPHY

The acutest manifestation of the social disorganization due to the war which has yet appeared in America is the housing shortage. No question of equal fundamental importance now confronts the public. The depreciation of housing standards, subtly operating, is diminishing the self-respect of thousands. The lack of housing is forcing strongly to the front the question "How far shall the state be called upon to attempt to supplement the shortcomings of a faulty social system?" Many who have resented state interference in individual life are assuming an attitude of tolerance toward this manifestation of it. If the problem is not solved otherwise, this sentiment must grow, for people must have houses.

I am glad to have had the opportunity of presenting my views on this subject, because of its supreme importance. I am glad that the discussion on the other side has fallen into hands so competent to present it. Mrs. Wood's knowledge of the subject will not be disputed by any person familiar with the present state of the housing problem. I rarely differ with her facts. I only dispute her conclusions as to the best method of attaining results.

Mr. Ackerman's experience as a publicist in architectural matters is almost unrivaled among his professional brethren in America. He has seen the subject in all its ramifications at home and abroad, and however strongly I am forced to deny that his programme can have that immediate effect which the crisis demands, I am compelled to recognize the fundamental nature of his social diagnosis, and the need for those profound evolutionary changes which must occur before the housing supply of the world can be set upon a satisfactory foundation which must be based on the principle—every family should own its home.

As for the method of presentation which is here employed, the written debate, it should be obvious that it has a great advantage for the general public over spoken debate or individual books written upon specific aspects of the subject. The participants in the debate have been at all times aware of the attitude taken by their opponents, and have therefore been in a better position to reply than where only one side of the question is known. The person who wishes seriously to study the problem is enabled by this method to refer at any time to the objections urged whenever he is not prepared to accept the proposition as formulated. It should be possible, therefore, for any intelligent reader to determine from a perusal of the arguments contained herein which solution of this great problem he wishes to accept.

PREFACE

BY EDITH ELMER WOOD

The housing problem presses. We all know that we need more homes and better homes, but authorities differ as to the means of getting them.

Joint debates help the public to decide between the policies advocated. Written debates are better than oral, not only because they reach a larger audience, but because they permit greater accuracy.

It has been a rare privilege to defend my housing faith against such able and fair minded opponents as Mr. Ackerman and Mr. Murphy. I can only trust that the strength of my cause will atone for the weakness of its advocate.

PREFACE

BY FREDERICK L. ACKERMAN

There is no denying that by reason of our greater technological knowledge and our vastly superior industrial equipment, we stand in a position to produce more useful goods than any civilization that has gone before us. And it is not to be denied that, if we could bring our knowledge and our industrial equipment to bear directly upon the production of useful goods, we could produce a volume far in excess of the reasonable needs of everyone.

Again, it is not to be denied that urban centers are becoming more congested, slums are rapidly increasing in area and density. Everywhere in the western world the shortage of houses is assuming no less than alarming proportions. The majority of city dwellers live in tenements or in slums. We have long since passed the line where there is a workable relationship between the lower wage scales and the rent or price of adequate houses.

In the face of these conditions, we are constantly concerned with the problem of restricting output lest we "over produce." These conditions bear witness that something is operating against the application

of our knowledge and the full use of our industrial equipment and our natural resources.

Viewing this particular problem as but a sector of that of freeing our knowledge and the use of our industrial equipment and our natural resources from that restraint which arises out of the working of our competitive system—considerations of profit and price, I am forced to discard the theory of subventions. I seek to discover that which in one way or another operates constantly to curtail the production of useful and needed goods.

True enough, such an approach to this problem runs somewhat outside the range of housing discussion. Reformers do not ordinarily give thought to such matters; it is ever a case for doing something not later than to-morrow.

Since I believe that a consideration of the problem from this angle must serve as the point of departure of any inquiry into what had best be done about it, I welcome this opportunity to debate the question with two such well known authorities as Mrs. Wood and Mr. Murphy, who stand as acknowledged spokesmen for certain fairly well formulated points of view.

FOREWORD

This debate was arranged by and held under the auspices of the Press Debates Association.

Thesis of the Debate

Industry, commerce, agriculture, government, the whole machinery of civilization, are not ends in themselves, but means to the great human end—the creation and maintenance of a healthful, happy home. The United States is short one million homes to-day. It has millions of homes which are far below standard and which ought to be scrapped, were it not for the present famine.

WHAT ARE WE GOING TO DO ABOUT IT?

Topics of the Debate

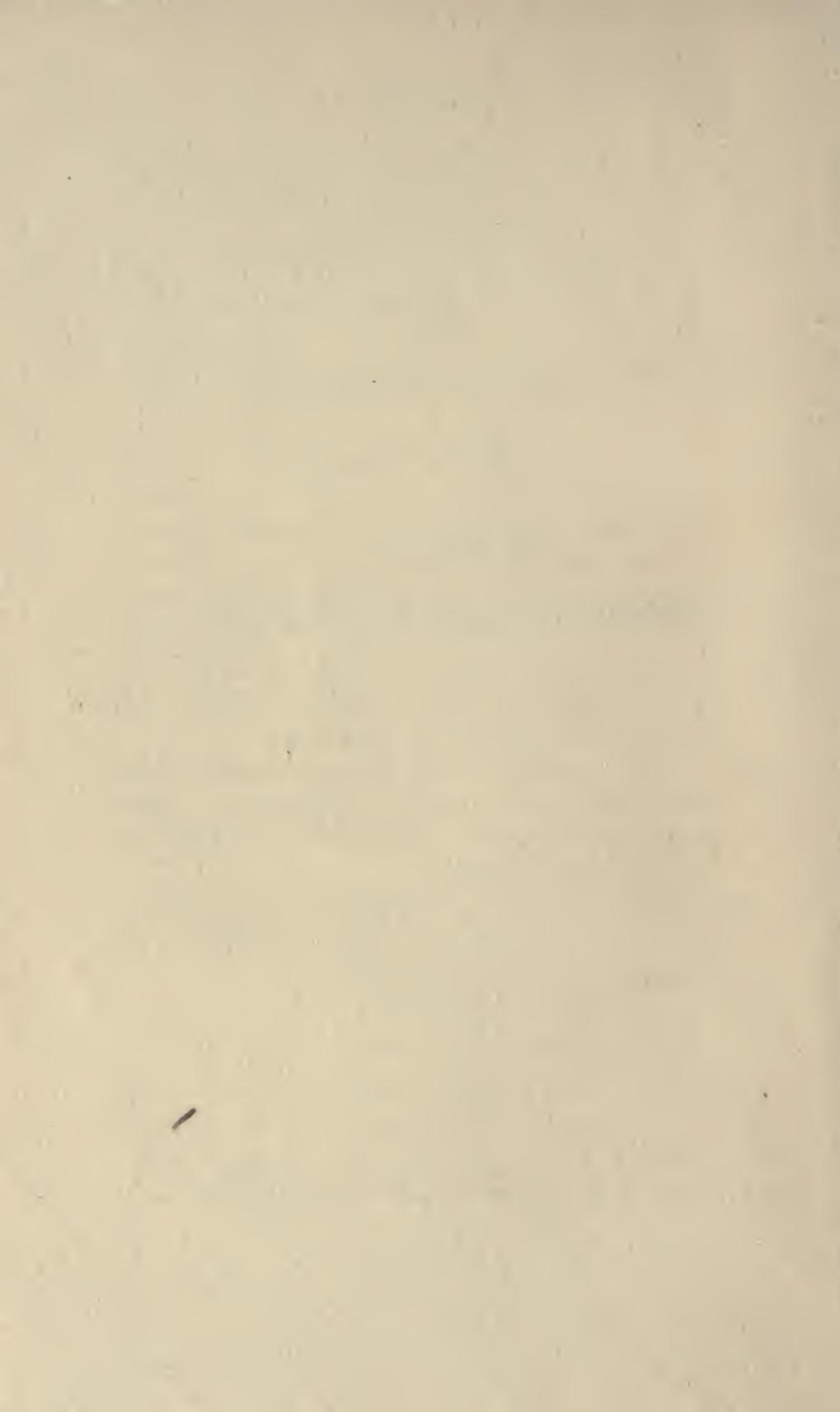
Topic I	Conditions—Causes—Remedies
Topic II	Shall Public Credit Be Employed?
Topic III	Shall We Have Municipal Housing?
Topic IV	Shall We Exempt Mortgages and Improvements from Taxation?

Topic V How Shall We Deal With Congestion?
Topic VI How Can Land, Labor and Materials
 Be Made Available?
Topic VII What Are the First Steps?
Topic VIII Summary and Conclusion.

Each debater speaks three times to each topic.

TOPIC I

CONDITIONS—CAUSES—REMEDIES



TOPIC I

FIRST ARGUMENT

BY JOHN J. MURPHY

- 1. Housing Shortage due to Disorganization of Building Industry during the war.** Shortage continued by Government's exempting its own bonds, while heavily taxing money employed in housing. I urge Government cease this unfair competition for capital which handicaps private enterprise in house building.
- 2. Mrs. Wood proposes to leave in the hands of the Government the supply of "homes for lower-paid wage earners" thus creating a new class of state aided laborers.**
- 3. Mr. Ackerman proposes a programme which if feasible at all would require half a century for its realization.**

HOUSING SHORTAGE A WORLD PROBLEM

Within the recollection of men now living there has been no such acute shortage of housing as is now manifested. It has become a world problem. The press of all civilized peoples bears testimony to

the fact that people everywhere are unable to find homes in cities. Rents are rising to famine prices; hence social unrest is expressing itself in many forms. Cities in Europe are warning newcomers to return whence they came. In some German cities people owning or occupying houses containing more rooms than are needed for economical use by their families, must take lodgers or groups of lodgers at rates fixed by the Municipality.

RESTRICTING RACK-RENTS

In American cities the hitherto rare phenomenon of two or even three families occupying rooms, formerly the home of a single family, has become frequent, if not common. Legislatures are heeding the public clamor, and passing laws, constitutional or unconstitutional, regulating rents and tenancies. Men far-sighted enough to anticipate the shortage and unscrupulous enough to take advantage of it, have been acquiring fortunes by exacting rents out of all proportion to the values of the properties affected.

BUILDING MACHINERY DISORGANIZED BY GOVERNMENT

Among the causes of the condition are the disorganization of the machinery of building by the Federal Government during the war, in its efforts to furnish the necessary supplies of men and munitions for war purposes. No discrimination was

made in the draft in favor of mechanics employed in the building trades; the government directly instructed the companies engaged in lending money for building construction to cease such loans. Men from rural districts were brought more or less unwillingly in contact with the amenities of city life. Many of them never returned to their home communities, and others who did return brought their families to the cities later, attracted by the nominally high wages paid for ordinary labor, and the lure of city life.

“ALL THAT A MAN HATH”

Whenever there are more families seeking homes than there are accommodations to house them, even though the surplus of home seekers be not great, rents rise abnormally, landlords become indifferent to the proper maintenance of their houses, and we witness the anti-social spectacle of families under pressure of necessity, bidding one another out of their homes, with consequent creation of bad feeling in the community, frequently resulting in disorder and destruction of property. “All that a man hath will he give for his life,” and hence there is no limit, except a man’s earning power, to what he will give for a home under pressure of necessity.

MORE HOUSES ONLY SOLUTION

The only remedy for the housing shortage is the construction of more houses. Houses are constructed

on land with material and by labor. In order to fuse these elements into a house capital is necessary. Capital flows into those investments where it is most certain of security, and among investments equally secure, it will seek that which promises the largest return. Investment in houses seems to have inherent attractions for a great number of people. Capital can be induced to invest in enterprises promising profit, but can rarely be coerced. In war times the coercion of capital is sometimes urged as the correlative of conscription of men, but no practical plan has been devised, or at least has been tried, to carry out this idea. It may therefore be assumed that in time of peace no such plan is practicable.

GOVERNMENT SHOULD REMOVE OBSTACLES

Government should remove the obstacles that it now places in the way of investment of private capital in housing. In the last year the sum of one hundred and sixty millions of dollars was invested in the construction of dwellings in Greater New York and more than a billion in all kinds of buildings in the whole country. This would seem fairly conclusive that there is available capital for the construction of necessary housing, if conditions were made sufficiently favorable. If Government, National, State and Municipal, would now take off the brakes which they put upon housing, the supply would be brought quickly up to the level of effective demand.

HOW GOVERNMENT OBSTRUCTS

The things which tend to make housing costly in normal times are the exclusion of foreign material by tariffs, the Federal income tax on incomes derived from mortgages, the State income tax on the same subject, the real estate tax on buildings, the high prices which have to be paid for loans in addition to the normal interest—for every one realizes the Usury Law is evaded in those States where it exists—and the high price of land. When to all of these difficulties is added the all-around high prices due to the depreciated dollars of a highly inflated currency, the wonder is not that building is inadequate, but that any building is done at all. The short way to an adequate housing supply is the abolition of these restrictions, so that money may flow normally into housing investments, instead of being turned aside to less necessary uses where larger profits are forthcoming.

RESTRICTIVE LEGISLATION NEEDED TEMPORARILY

Restrictive legislation seems to be necessary temporarily in order to allay social discontent, and, however undesirable in itself, to carry us over the peak of the shortage which seems to be due next Fall. But naturally, it will do nothing to increase supply, and will operate more or less directly to prevent it. Any Government action which restricts profits without guaranteeing minimum returns must tend to

check investment in the class of property affected. If we restrict with one hand, in recognition of the necessities of a deplorable situation, we must encourage with the other, or the United States will face a condition like that now confronting England, where the Rent Restriction Act, which has been in force since the beginning of the war, has totally paralyzed private construction of buildings for renting purposes, and where the expected repeal of the same Act now threatens to precipitate social revolution.

TOPIC I**FIRST ARGUMENT**

By EDITH ELMER WOOD

1. Because good housing is necessary to health and cannot be supplied at a profit to lower-paid wage earners, I favor its supply, at cost, through State Action.
2. Mr. Murphy's measures are inadequate, and relate only to the present temporary shortage.
3. Mr. Ackerman's proposals are revolutionary.

THE HOUSING PROBLEM: ITS TWO PHASES

The rapid growth of cities during the last century has brought to the United States, as to all other industrial countries, an insistent problem—how to assure to its workers wholesome homes, accessible to their work, at prices they can pay. It has been estimated that there are two million¹ homes in the United States so bad as to constitute an acute menace to the health, morals and citizenship of those whom they purport to shelter, while several million more are below any standard we could possibly accept as normal.

The cessation of building during the war, and the high price of materials and of labor which have checked its resumption since the war, have brought about an actual shortage of houses, estimated at one million,² which is seriously inconveniencing even the well-to-do. This secondary problem, in its nature transitory, may prove a blessing in disguise if it jolts all classes of society into thinking in terms of housing.

HOUSING CONDITIONS: THE SUBMERGED TENTH

Windowless bedrooms, heavy with the odors of under-bathed, overcrowded humanity, cellar homes where babies dwindle and tubercle bacilli thrive, suggest great cities. New York probably has half a million people sleeping in rooms without windows to the outer air in the old tenement houses built before 1879, and a million and a half more in the dumb-bell tenements built between 1879 and 1901 and in other old houses with utterly inadequate ventilation. Boston has 132 streets less than 14 feet wide. One populous North End thoroughfare, Webster Avenue, built up solidly with four-and-five-story tenements, varies in width from four to nine feet. Board Alley is only two feet wide. Philadelphia has 165 miles of unsewered streets and approximately 30,000 privy vaults. St. Louis has nearly as many, and Baltimore probably more. But smaller cities sometimes have even worse conditions, for want of any restraining law. And dilapidation,

overcrowding, lack of sanitation, can lay their blight even on a rural community.

CAUSES OF BAD HOUSING: GREED, IGNORANCE, APATHY

As to causes, there have always been the greed of landlords, the ignorance of tenants, and the apathy of the general public. But they are seen to be hardly more than aggravating causes when compared with the real cause—the economic *impasse*.

NO PROFIT IN BUILDING FOR UNSKILLED WAGE EARNERS

No one builds houses for unskilled wage earners as a business venture, because there is no profit in it. There has been no profit in it for a very long time. New houses are built for those in better circumstances and the unskilled worker only inherits them when they have grown too shabby for any one else.

BUILDING COSTS IN 1916

In 1916 it was pointed out³ that, taking the country by and large, the most modest sort of a four- or five-room house, or its equivalent city flat, could not be built, and site provided, for less than \$1800, and such a place could not rent on the most moderate economic basis of 5 or 6 per cent net (10 per cent gross) for less than \$15 a month. Now at that time,

according to government reports, more than half the wage earners of the United States were receiving less than \$15 a week, and a week's wage for a month's rent is the maximum a man can safely pay.

BUILDING COSTS IN 1920

These figures are obsolete to-day. Wages and building costs have gone up from 50 to 100 per cent. But the relationship between them remains the same. The bulk of workers still cannot pay an economic rent on a new house. Therefore, since old houses will not last forever (and many of them ought not to be allowed to last at all), and as shelter is a necessity, we must find a remedy.

THE REMEDY: SUPPLY OF HOUSES AT COST AS A PUBLIC UTILITY

The remedy lies in State action—using the word “state” in the broad sense of the “body politic.” Houses for unskilled wage earners must be supplied at cost as a public utility. This may be done directly or indirectly. The indirect system is the supplying of credit from a public source. The direct system involves the building of houses by a public authority. We shall describe both methods more fully hereafter. Both, by the way, are recommended by the Housing Committee of the Reconstruction Commission in the report recently transmitted to the legislature of New York with a strong endorsement by Governor Smith.

These methods of handling the housing problem are not new. They have been extensively used in Great Britain, Germany and Belgium for more than a generation. Twelve other European countries, three of South America, besides Cuba, Australia, New Zealand, and, very recently, Canada, have resorted to them in varying degree.⁴ We are fortunate in having spread before us so large a body of experience.

¹ See Author's *Housing of the Unskilled Wage Earner*, p. 7.

² See *Housing Betterment*, December, 1919, p. 45.

³ By John Nolen in *Proceedings of the National Housing Assoc.*, Vol. V., p. 5.

⁴ See Bulletin 158, U. S. Bureau of Labor Statistics: *Government Aid to Home Owning and Housing of Working People in Foreign Countries*. See also *Housing of the Unskilled Wage Earner*, Chapter V.

TOPIC I

FIRST ARGUMENT

BY FREDERICK L. ACKERMAN

1. Housing famine, congestion, slums—drift of population into cities—consequent upon modern industrial system. Relief to be found in eliminating waste, losses, sabotage which follows system of price competition.
2. Mrs. Wood completely ignores this phase of the problem. Proposes to subsidize system which has caused the trouble.
3. Mr. Murphy deals superficially with causes. Proposes a variety of palliatives.

SYMPTOMS ARE NOW ACUTE: NOT THE RESULT OF WAR

Nowhere in the entire Western World are houses being erected in sufficient number. Voluntary committees, official committees, governmental commissions are surveying conditions, reporting, framing legislation. Thus far all this talk about it has not produced houses; we are faced with the stubborn fact that sufficient houses are not being built.

This distressing condition is set down as the result of the war. We have short memories. For generations Europe has been struggling with the problem of slums, shortage and congestion—the housing problem. How seriously this matter was treated in the pre-war days may be gathered from a study of pre-war housing legislation.⁵ By gathering this material together, we are able to make note of certain physical conditions which are characteristic of what has taken shape within the Western World during, say, the last century and a half. These conditions are best referred to as drifts or tendencies. Among them we note in particular:

The remarkably rapid rise and expansion of industrial centers; a corresponding (relative) decrease of rural population and of small communities.

The rapid increase in congestion and the degree of congestion within these ever expanding industrial urban centers; the rapid and constant spread of the “slum.”⁶

That the number of new houses erected is falling behind the number required.

INDUSTRIAL SYSTEM UNDER SUSPICION

The drift into these conditions of mal-adjustment has taken place within a given area (State) in approximately the same degree that the area in question has fallen into the ways of carrying on its production through the system spoken of as the “Modern Industrial System.”

This statement implies a condition of causal sequence between the working of the modern industrial system and the conditions of mal-adjustment. To attempt to establish such a relation of cause and effect in a quantitative sense would extend the argument beyond the scope of this discussion, but this much may be said: "The material frame work of modern civilization is the industrial system, and the directing force which animates this frame work is business enterprise. To a greater extent than any other known phase of culture, Modern Christendom takes its complexion from its economic organization. This economic organization is the "Capitalistic System" or the "Modern Industrial System," so called. Its characteristic features, and at the same time the forces by which it dominates modern culture, are the machine process and investment for profit."⁷

Accepting this as a statement of fact, it follows, of course, that the entire range of conditions from abandoned farms to slums and shortage, is the result of the unhampered working of this modern industrial system.

THE SYSTEM EXERCISES SABOTAGE

Production is now controlled by "business enterprise." Business enterprise aims at producing the largest possible returns in the shortest possible time; *and always in terms of price*. The capitalization of business concerns is based upon *their capacity to produce earnings and not upon their capacity to*

produce goods. The solvency of business enterprise depends upon the ability of its management to *maintain or advance prices*. This is the system of “price competition” or competition in terms of price. From this system there would follow, in theory, and there follows in practice, a series of wastes, duplications, cancellations of effort, obstructions of one sort and another which may be rated as equal, if not much larger in amount, than is the effort required to carry on the processes (technological) of producing goods. To allow the industrial processes to run on without obstruction would end in the lowering of prices: hence modern business enterprise functions “successfully” only when it exercises such a control over production as to keep prices up and production down.⁷

THE SYSTEM FOUND GUILTY

It is through such a system that we attempt to produce all of the materials which go into the building of habitations for the wage worker. What this system accomplishes is to reduce the size of houses, curtail the number erected, and squeeze them closer together.

Business is a matter of investment for a profit—a speculative adventure. Habitations are built simply to afford a means of carrying on a speculative adventure. Whether or not habitations are erected depends entirely upon whether or not there are other fields of speculative adventure which seem more promising.

IT SUCKS PEOPLE INTO CONGESTED CITIES

The principal causes which make for the constant flow of population from farm to city is the greater opportunity of investment return afforded by business for profit controlling production carried on by the machine process. Hence the remedy here offered is confined to the economic industrial facts of modern life.

THE SOLUTION: GET A NEW INDUSTRIAL SYSTEM

The solution of the housing problem is to be had as a consequence of having first brought about a change in our industrial system and the financial business system which controls the industrial system. In general outlines the nature of the changes may be summarized as follows:

Freeing the processes of production from that control which views production as a medium of speculation or investment for profit. Freeing land from speculative use.

Eliminating waste and useless effort which follows our system of price competition.

⁵ See *The Case for Town Planning*, by Henry Aldridge. The National Housing and Town Planning Council. London. See also *Housing of the Unskilled Wage Earners*, by Edith Elmer Wood.

⁶ See *The Town Laborer, 1760-1832*, by J. L. Hammond and Barbara Hammond. Longmans, Green & Co., London.

⁷ See *The Theory of Business Enterprise*, by Thorstein Veblen. Scribners.

TOPIC I**SECOND ARGUMENT**

BY JOHN J. MURPHY

GUESSES MASQUERADING AS ESTIMATES

Naturally I find little to criticise in Mrs. Wood's statement of the housing conditions which we have met to discuss. I do not attach much importance to the vague guesses, masquerading as estimates, of the total number of unsanitary houses existing in the United States, to which she lends the weight of her authority. It is a strange coincidence that the same number of houses given as the shortage in the United States is also given by the authorities for Great Britain, a country with about half our population.

SOME PROBLEM!

If there are two million existing unsanitary houses which should be replaced by better structure, and a deficiency of one million, we have clearly a situation which may be properly called *some* problem! As such houses can not be produced to-day much under \$3,500 to \$5,000 according to location, we are

dealing with a problem involving a capital expenditure of ten to fifteen billion dollars, a sum large enough to interest even war financiers.

LANDLORDS AND TENANTS ARE JUST—FOLKS

I take strong exception to two items of Mrs. Wood's summary of causes of bad housing: landlord greed and tenant ignorance. Landlords, in spite of some recent exhibitions in New York and other big cities, are just—people. Just now they own a necessary of life which is cornered. If Mrs. Wood will indicate some group in the nation, who own property, that have taken less than they could get for it, I will concede that landlords are worse than other people. As to tenant ignorance, I know of no class of people who do not take the best housing they can get for what they can afford to spend. Had tenants been as wise as Solomon, I do not see how they could improve their lot as individuals. I concede her indictment of public apathy, and the "economic impasse"; this last count in the indictment sounds grave enough to account for anything. May I suggest to my opponent an explanatory foot note, which will elucidate a contention now obscured by an impervious mask.

HOUSES FOR WAGE EARNERS NOT UNPROFITABLE

I dispute Mrs. Wood's contention that it does not pay to build houses for earners of low wages. Literally thousands of cheap houses have been constructed

around our big cities in the past decade. It would be as true to say that it did not pay to manufacture clothes or shoes for poor people. Of course, it does not pay to produce anything for people whose wages are so low as not to reach the subsistence level, but the remedy for that situation is to raise the wages, not to lower the rent. I contend, however, that if government removed the crushing taxes which it now imposes on new buildings, a sufficient supply would be forthcoming to house workers at current wages.

THE IMPRACTICABILITY OF MAKING HOUSING A PUBLIC UTILITY

The remedy, as Mrs. Wood sees it, is to make the supply of housing a public utility, either by lending to intending builders, or by direct public construction. And she asserts that the Reconstruction Commission of the State of New York recommends such action. Also, that we have a varied assortment of experiences of other countries in similar lines. Much of the rest of this debate is to be devoted to dealing with these matters in detail, but I assert that it would be most unwise, if feasible, and that because of obvious constitutional limitations it cannot be made feasible, until the passage of so much time, that necessity will compel us to meet the situation some other way in the meantime. When Alexander cut the Gordian knot he did not solve the problem, he merely gave an evidence of his impatience and superficiality. The authority of the Reconstruction

Commission, for whose good intentions I have a high regard, would have greater weight if it had accomplished something in the year and a half of its existence.

NOT TIME TO CONSTRUCT UTOPIA

I leave to the intelligent reader Mr. Ackerman's statement that the housing famine is not the result of the war, so far as America is concerned. Europe had many problems before the war; inadequate housing was one of them, but the causes there were so multitudinous that I fear we should never get down to our own domestic problem if we tried to deal with them. He indicts our industrial system, and I hold no brief for it, but if we have to wait for more housing until it is broken down, the debris removed and a new social order set up in its place, there will be no people to build houses or inhabit them. Like a business house which wishes to enlarge its premises, while still holding its trade, we have to replace our social institutions a piece at a time. Of course, the other way would be easier if we could all agree on a design and a floor plan for the building, but when the new structure was agreed upon, there would be no customers. It might even not get erected at all.

TOPIC I**SECOND ARGUMENT****By EDITH ELMER WOOD****LET US GET THE QUESTION CLEAR**

First of all, I must ask my eminent opponent, former Commissioner Murphy, whether the remedies he proposes are intended to cure the present shortage of all kinds of houses, or the permanent shortage of acceptable houses for workingmen? Unless we keep the distinction clear we shall find ourselves talking at cross purposes.

INDIVIDUALISM AND BUSINESS INITIATIVE

Mr. Murphy appears in this debate as the champion of individualism and business initiative. He will find many to agree with him, for old beliefs die hard. But the trend of modern thought and practice is certainly away from Adam Smith and *laissez faire*.

**OBSTACLES PLACED BY GOVERNMENT IN THE WAY
OF BUILDING**

Mr. Murphy says: "Government should remove the obstacles that it now places in the way of invest-

ment of private capital in housing," and again: "Government, national, state and municipal, must take off the brakes." He enumerates these brakes or obstacles as follows:

1. Tariff on building materials
2. Tax on mortgages
3. Real estate tax on buildings
4. "The high prices which have to be paid for loans in addition to normal interest" i.e. usury
5. The high price of land
6. "All around high prices due to depreciated dollar of inflated currency"

For the first brake, if we are to remove it at all, I would suggest as an amendment, the exemption of building materials *destined for working men's houses*, as is actually done in Argentina and Brazil. The second and third are to be the subject of later discussion.

By no stretch of the imagination, it appears to me, can the last three be described as obstacles or brakes placed by government in the way of building. I challenge the Commissioner to show that they are such, and to name the measures he advocates for removing them.

GET A NEW INDUSTRIAL SYSTEM

There is no athletic sport more unsatisfactory than wrestling with shadows. The blamed things are so hard to get a grip on!

I am a practical person, in search of a practical remedy, for a very practical evil—and my distinguished friend, Mr. Ackerman, tells me to “Get a new industrial system!” Just like that. Apparently, too, he objects to alleviating housing evils in the meantime, lest a more tolerable condition delay the advent of his millennium.

BY EVOLUTION OR REVOLUTION?

Does he mean us to get a new industrial system by evolution or by revolution? If the former, how can he defend the inhumanity of his opposition to alleviative measures? It is like refusing quinine to a malaria patient shaking with ague, because you hope to drain the swamps ultimately and exterminate the malaria-bearing mosquito.

If he is advising revolution. . . . Well, we'll wait till he says so.

WHAT WILL THE NEW SYSTEM BE?

Mr. Ackerman says himself that “The material framework of modern civilization is the industrial system.” Now, it is a rather serious matter destroying the framework of modern civilization. Mr. Ackerman can hardly expect us to accept his leadership to that cataclysmic extent without even confiding to us what he proposes to substitute. Is it Communism? Syndicalism? The soviet? State socialism? Or the proposed English revival of the medieval guild?

TOPIC I

SECOND ARGUMENT

BY FREDERICK L. ACKERMAN

CAUSES—THE ALL IMPORTANT MATTER

Not much is to be gained by debating the statements relating to "Conditions." One matter only will I refer to in this connection. Mr. Murphy ignores the sweep of population into industrial centers which has been going on throughout the Western World during a century and a half. This sweep, I insist, is the "Condition";—congestion, the slum, the housing famine are the physical evidences.

Nor will "Remedies" be dealt with at this stage of the discussion since opportunities will be afforded for considering this phase of the subject under the several topics as they are opened up in the series to follow. What is of importance to now consider is: Why the "Condition"? Why this discussion?

TOO MUCH STRESS ON WAR

Mrs. Wood is quite definite:—she sets down three principal causes: "the *greed* of landlords, the

ignorance of tenants, and the *apathy* of the general public.” Mr. Murphy stresses the war and the accompanying Federal administrative action as the cause. Of course the war affected the situation. But what about the condition before the war?

The conditions noted by Mrs. Wood, as constituting the three principal causes, should be viewed as in the nature of attitudes—favorable if you like—to the development of the conditions rather than as causes. But I will not quibble over the meaning of words.

OLD LAWS AND NEW CONDITIONS

In the eighteenth century—before the days of machine industry, corporation finance, big business and the world market—during the days of handicraft industry and petty trade—certain live and let live ideas were thrown into formal shape and adopted to govern the system of law and order under which the people of that time saw fit to live. That system of law and custom has stood firm while sweeping changes have taken place in the field of industry and finance. Laws, framed to uphold the rights (property) of individuals are now called upon to uphold the same with respect to large scale industry, large scale credit, large scale business—all of which of course could not have been contemplated at the time they were formulated.⁸

The laws which were then established to safeguard equality among men in all their economic relations

have come to so operate, under the changed conditions, that the decisions as to how men shall live are now made by those holding the communities' economic power.

THE RIGHT TO SATISFY GREED

So I would not set down the "ignorance of tenants" nor the "apathy of the general public" as the cause of congestion, slums and the distressing shortage of houses. The tenants and the general public are helpless to act against the powerful financial forces sustained by those eighteenth century laws framed to meet conditions under the rule of petty trade and handicraft industry. The tenant and the public may be ever so alive to the conditions—but being alive is of little consequence: action in the direction of their interest and desires is a matter to be determined—not by considerations relating to what may be good for them, but by the financial exigencies of the situation as viewed by those holding the balance of economic power. The rights of individuals have become as little fluttering leaves in the powerful gusts of financial forces.

THE MAJOR QUESTION ASKED

The question as to what has caused the housing famine, slums, etc., is not to be disposed of by saying that it is because landlords have become greedy, tenants ignorant and the public apathetic. *Greed* may be set down as a cause; but the *right to satisfy*

greed is a legal matter—a matter which can be changed by political action if the people should so elect. So I ask the question: How about disallowing by legal action this legal *right to satisfy greed*?

⁸ See *The Vested Interests and the State of the Industrial Arts*, by Thorstein Veblen. B. W. Huebsch.

TOPIC I**THIRD ARGUMENT**

By JOHN J. MURPHY

NO DISCRIMINATION BETWEEN TYPES OF DWELLINGS

In reply to Mrs. Wood:

I want to cure the shortage of houses of all kinds. As a matter of fact, the present housing shortage has hit people of moderate means harder than the very poor. Rents have risen more, proportionally, in the more expensive types of housing than in the cheaper grades. Business building must keep up if people in cities are to find employment. Therefore, I suggested no discrimination between types of buildings, though I would accept the idea, if it could be done constitutionally. There are many states in which it can not be done, without amendments.

**GOVERNMENT MEDDLING PROVOKES
INEVITABLE DISASTER**

I quite agree with Mrs. Wood that the trend of modern thought is away from Adam Smith and *laissez-faire*. To the extent that the swing away from those ideas continues, to the same extent do

we approach the catastrophe which many thoughtful persons now deem inevitable. The condition to which the world has come as a consequence of "modern thought" is so complete an indictment of that pseudo-philosophy, that I would not have deemed that a person of Mrs. Wood's acumen would have advanced it as an argument on her side.

HOW GOVERNMENT CAN HELP

Mrs. Wood asks me to explain how the Government can reduce prices of money, land and goods. The attempt of the Government to suppress usury, makes actual cost of money higher to the individual, therefore the so-called usury law should be repealed. The failure of Government to collect out of land values the full price of services rendered, makes land much dearer than there is any reason it should be. The wasteful method of financing the war has more than doubled our currency, while the taxation of production has been raising prices in other directions. If the State will tax special privileges, among which are land titles, mines, franchises, and exempt productive enterprises, it will bring prices of housing materials down to reasonable figures, and all other prices as well.

In reply to Mr. Ackerman:

BLAMING THE THERMOMETER FOR HOT WEATHER

It is not easy to combat so indefinable a proposition as that which bases our housing difficulties on

the "right to satisfy greed." With rare exceptions, the conduct of mankind is based on the desire to get as much as possible for what we have to sell, and to give as little as possible for what we must buy. Landlords would always take 1000% profit if they could get it, and tenants would occupy houses for nothing if they could. So far as these characteristics of individuals go they are always and ever the same. Blaming the landlord for high rent is like throwing the thermometer out of the window on a hot day. He gets what he can and does not get any more because he can't. Price is regulated by the relation of supply and demand. Greed is merely an invidious way of referring to an excessive development of that self-interest which our modern civilization necessitates as a requisite of living.

TOPIC I

THIRD ARGUMENT

By EDITH ELMER WOOD

"VAGUE GUESSES MASQUERADE AS ESTIMATES"

Mr. Murphy appears to doubt that we are short a million dwellings in the United States. The estimate is based on the following figures: From 1910 to the beginning of 1917 approximately 400,000 new dwellings were constructed annually in this country. Had the normal building rate been maintained, about 1,200,000 more dwellings would, therefore, have been built by the beginning of 1920. The actual number was 228,000.¹⁰

The British housing shortage, due to their longer immersion in the war, is much more acute than ours. Hence the subsidies.

**MR. MURPHY COMES TO THE RESCUE
OF LANDLORDS AND TENANTS**

I agree with Mr. Murphy that landlords are no "worse than other people" and that any other property-owning group would have taken the same advantage of having cornered "a necessary of life."

I will further say that if those who do not own property were endowed with it, they would behave in the same manner. The inference I draw from all this is, however, that the state must break that corner in a necessary of life by entering the field itself, if it would avoid the more revolutionary remedies of Mr. Ackerman.

"Had tenants been as wise as Solomon," says Mr. Murphy, "I do not see how they could improve their lots as individuals." Neither do I. That is why collective action is necessary.

WHY NOT RAISE WAGES FOR A CHANGE?

Raising wages is a popular pastime. But how will Mr. Murphy raise them without raising building costs, in which they are so large an item? And how will he prevent those who have cornered a necessary of life from raising rents to match?

⁹ The evidence on which I based my estimate of two million unsanitary dwellings in the United States (sheltering one-tenth of our population) will be found in Chapters I and II of *Housing of the Unskilled Wage Earner*. It is too long to quote here.

¹⁰ The following figures are from an article by Wharton Clay in *Engineering and Contracting* for March 24, 1920:

Dwellings in the United States

1910.....	17,895,845
1915.....	19,853,517
1916.....	20,263,051
1917.....	20,672,051
1918.....	20,808,562
1919.....	20,829,039
1920.....	20,900,000

TOPIC I**THIRD ARGUMENT**

BY FREDERICK L. ACKERMAN

WHAT IS INDUSTRY FOR?

I ask Mr. Murphy to recall the statement which is made the thesis of debate which says "industry, commerce, agriculture, government . . . are not ends in themselves but means to the great human end, the creation and maintenance of healthful, happy homes." Had this debate been confined to finding the best way "to provide housing of some kind—I will not say whether good or bad"—I would not have wasted my time to discuss the matter. I insist that I am discussing the thesis and that my argument is well within the range of discussion anticipated in the statement of the thesis.

WHY NOT TRY TO GET A GRIP ON THINGS?

I agree with Mrs. Wood that "the blamed things are so hard to get a grip on," yet I am not at all convinced that the remedies suggested by Mrs. Wood are in the nature of getting a "grip on things." She avoids coming to grips with the real problem.

Again the old theme of the industrial revolution crops up. Again I admit the necessity for change, but I see no reason for calling it a revolution. A study of the present British situation indicates clearly that the system of subventions is not prospering in England. Proposals are now on foot for organizing the whole British building industry with a view of eliminating all of those wastes, which I have referred to repeatedly, by scrapping the system of price competition. It is too early to draw conclusions, but I would suggest a careful study of what is now being developed in this connection.

This recent British effort is moving in the right direction, which can not be said of Mrs. Wood's argument. Perhaps it is revolutionary to advance the idea that exploitation should be dispensed with. But saying so proves nothing.

TOPIC II

SHALL PUBLIC CREDIT BE EMPLOYED?

TOPIC II

FIRST ARGUMENT

BY JOHN J. MURPHY

1. I oppose the use of public credit on the ground that it is unnecessary, if Government will cease penalizing private building enterprise by excessive taxation.
2. Mrs. Wood's plan assumes that a vast mass of people are unable to support themselves without government subsidy.
3. Mr. Ackerman objects because it would only serve to bolster up a defective social system.

USE OF PUBLIC CREDIT ONLY A LAST RESORT

Having due regard to the wasteful manner in which public money is usually expended, I think it will be generally conceded that public credit should not be embarked in any except obviously public enterprises, unless all other means have been tried and found wanting. In the preceding statement I have shown that in spite of governmental discouragement an enormous amount of capital is willing to invest in building of one kind or another. The difficulty of

obtaining money for housing loans is not that lenders are unwilling to put money into buildings, but that they are unwilling to advance as high a percentage of the cost of the building as they did hitherto.

FEAR OF LOSS DUE TO PRICE CONTRACTION

The reason is that they fear that within a year or two there will be such a drop in the cost of materials and labor, that a building erected under present conditions will suffer a depreciation of 20% in a couple of years, for the value of a thing at any given time is generally what it can be reproduced for at that time. No one can deny that this is a reasonable forecast. It may not happen, but people who invest in such durable things as buildings must take into account the probabilities for at least a decade.

DANGER IN MIXING REAL ESTATE AND POLITICS

If public credit be employed, it follows that Government must take a large part in supervising and determining the locations, designs, units, etc., of the houses into which money so raised should be put. Here however, another difficulty arises. It brings the Government, or whatever branch of it may be charged with such duty, into contact with the real estate business and the combination of politics and real estate makes the most explosive compound known. In the war it was necessary to procure sites in a hurry, and it is to be presumed that men engaged in such work did their duty patriotically,

but it is commonly believed that a fair investigation of the real estate transactions of the Government would throw into the shade most of the other exposés which have been made since the armistice.

WOULD SCARE OFF PRIVATE INVESTORS

If public credit be employed, it would naturally tend to absorb a large amount of the private capital which would be available for housing. There are some people who, because they do not see the problem through, do not realize that the Government has no money of its own to put into construction enterprises. It may go into the market like any other borrower and pledge its credit for the return of money lent, but whether the State or the individual borrows, it is private capital which is borrowed, and to the extent of the borrowing the capital fund is reduced. It is urged that the State can borrow more cheaply than private individuals, which is true, but that is an added reason why the entry of the State into the housing field would drive out private ventures in the same field.

STATE CANNOT BUILD ECONOMICALLY

Even though the State cannot build as cheaply as the individual, it can determine its own method of book-keeping, and it can go on indefinitely making bad investments without going to the wall, as the unsuccessful private investor must do under the same circumstances. If the State should drive the private investor out of the field, the amount of

its borrowing to provide adequate housing, would be stupendous. New York City investors alone, before the war, invested \$75,000,000 annually in tenement house and apartment house construction. This sum did not include the cost of sites. For the whole country at present prices, \$2,000,000,000 to \$3,000,000,000 would be necessary as a beginning, according to the size of the programme mapped out, and nearly \$1,000,000,000 annually.

CONSTITUTIONAL OBSTACLES TO PROMPT ACTION

Another serious consideration is the delay attendant upon getting relief from such a source. In most states the legislature would have to pass a resolution authorizing the sale of bonds, and this resolution would have to be submitted to the people of the state at the following election. Assuming the favorable action of the people, which is not at all certain, for it would have to be submitted in rural districts, where there is no lack of housing, the legality of the issue of bonds (the interest on which has to be provided out of taxation), would have to be litigated, before any one would buy them, for the Supreme Court of the United States has decided that a citizen's property can only be taken by taxation for what is recognized as a public use. The providing of houses for normal, solvent citizens has never been declared a public use. There are other points of view from which the use of public credit is undesirable, but space does not allow their being set forth here.

TOPIC II

FIRST ARGUMENT

BY EDITH ELMER WOOD

1. I favor federal and state housing loans, at a low rate of interest, to individual workingmen and non-commercial housing companies.
2. Mr. Murphy's objections are beside the mark.
3. Mr. Ackerman objects because it would postpone his industrial revolution.

**TWO FORMS OF HOUSING LOANS—TO INDIVIDUAL WAGE
EARNERS AND TO LIMITED DIVIDEND COMPANIES**

The employment of public credit in housing is what we have defined as the indirect method of state action. It may involve loans to individual workmen to build their own homes, as in Belgium and New Zealand, or loans to non-commercial housing companies, as in Great Britain and Germany. We must have both kinds.

**WORKINGMAN'S NEED OF LONG TIME LOANS AND
LOW INTEREST RATE**

All governments approve of home ownership. Nearly all except ours take practical steps to encourage it. It is a commonplace of political science

that those who own their own homes make better citizens than those who do not, because they have more at stake in the community. Bolsheviks are recruited from renters.

The American workingman, far from having preferential treatment to encourage him in acquiring a home, is at a serious disadvantage. Large and responsible purveyors of credit do not care to be bothered with him. He runs great danger of falling into the hands of the usurer and the land shark. Home ownership is difficult enough for him at best and he ought, for the public good as well as his own, to be assured the lowest possible rate of interest, a long time for the repayment of his loan, and complete protection from fraud or exploitation. These desiderata can only be had under government auspices, since they involve the elimination of profit from the lending transaction.

The best source of credit for the American workingman at the present time is the Building and Loan Association, but even there he must pay 6 per cent interest, and his principal must be repaid in 200 monthly installments (shortened to about 12 years by the accumulation of interest on what has been paid). In other words, supposing he is lucky enough to get a \$3,000 house, paying only ten per cent down, it would be rare indeed for him to be able to borrow 90 per cent of the cost with no security to offer but a mortgage on the property. But suppose he succeeds. His annual interest charges would be \$162, his taxes, insurance and repairs we will put at 4

per cent of \$3,000, or \$120, or a total of \$23.50 monthly, to which we must add \$13.50 per month for Building and Loan Shares, to pay off his principal, a monthly grand total of \$37, which the majority of wage earners would be utterly unable to pay. If the interest were reduced to 4 per cent, and the time for repayment extended to 24 years, taxes, etc., remaining as before we should have a total monthly cost of \$24, which, while still barring out some wage earners, would open up the possibilities of home ownership to an extremely large group.

BELGIAN SYSTEM OF LOANS TO WORKINGMEN¹

One of the best provisions of credit for workingmen's homes is that afforded by the Belgian law of 1889. At first it provided for 5 per cent, later for 7½ per cent of the deposits of the General Savings Bank being lent to non-commercial loan associations, which, in turn, make loans to workingmen to build or purchase a home. Loans may run for 25 years. The rate of interest has been from 3½ to 4 per cent to the workingman. Payments of interest and principal, and insurance on the workingman's life for the unpaid balance, are made in equal installments, monthly or weekly. Up to the outbreak of the war 54,632 Belgian workingmen had become home owners through the operation of this law.

NEW ZEALAND SYSTEM OF LOANS TO WORKINGMEN¹

Better still, perhaps, is the New Zealand system, since it eliminates the loan association. The State

Advances Office lends directly to the workingman at 4½ per cent, and repayment may be spread over 36½ years. The money is provided by a bond issue. The borrower may be "any person employed in manual or clerical labor who is not in receipt of an income of more than 200 pounds per annum and is not the owner of any land other than the allotment on which it is proposed to build,"² which he *must* own.

BRITISH AND GERMAN SYSTEM OF LOANS TO HOUSING COMPANIES¹

Even more has been done abroad by loans to non-commercial housing companies than by loans to individual workingmen. Great Britain and Germany have followed this policy on an extensive scale, and have been copied by France, Italy, Austria, Canada, and numerous other countries.

The housing company may be a co-operative organization of workingmen, or a philanthropic or civic corporation. Many of the housing companies founded by our Chambers of Commerce or by employers could qualify in the latter class. The United States Shipping Board during the war pursued an emergency form of this policy.

¹ See *Housing of the Unskilled Wage Earner*, Chap. V, and U. S. Bureau of Labor Statistics Bulletin, 158.

² *New Zealand Official Year Book for 1915*, p. 636.

TOPIC II

FIRST ARGUMENT

BY FREDERICK ACKERMAN

1. Use of public credit admission of breakdown of financial business system. Would end in depreciation of Government securities and more inflation. A futile measure.
2. Mrs. Wood's proposals are subventions made with view of retaining losses consequent upon system of price competition. Would not work anyway.
3. Mr. Murphy and I agree; but through different reasoning.

The use of public credit as a means toward providing adequate housing accommodations for wage workers is first of all to be interpreted as a fairly clear indication of the fact that the modern industrial system is incapable of performing what is now rated by all hands as an extremely important function.

Therefore, and without further argument, we may admit that the use of public credit is to be viewed as in the nature of a subsidy to that system of production which operates through a system of loan

credit, price competition and a consequent due regard to the curtailment of product. That is to say, a subsidy to that system which can only operate when it keeps prices up by keeping production down.

WHY GO IN A CIRCLE?

Of course, the introduction of public credit to stimulate the erection of habitations for the wage workers might prolong the life of the present system, the inefficiency of which is plainly acknowledged by the advocacy of a resort to public credit to help it to function. Precisely what would be gained in the long run by the adoption of such policy is not very clear. It looks as if following such a course of action would bring us in due time around to the point of departure.

It is fair to assume that any plan looking forward the use of public credit to stimulate the production of buildings of a certain class, would contain certain restrictive provisions regarding the character of buildings, conditions with respect to location, etc.; and it is likely that its use would also be restricted to some sort of "non-profit" enterprise, that is to say, it would not be handed out freely to be used for speculative purposes; and of course interest rates would have to be "nominal" if anything were to be gained by such action. The reasons for attaching such restrictions to its use are so obvious as not to require discussion.

And it is likewise obvious that if any appreciable

volume of such public credit be used for the building of homes for wage workers, no other credit would flow into building operations of the same general class. That is to say, private enterprise would ultimately be forced to withdraw from this field of action; and as a consequence the entire burden of building homes for the wage workers would fall upon the shoulders of the State.

WHY MORE INFLATION?

Such a plan would be likely to "start something." Let us see! The volume of funds required to carry out such a programme, were the State to provide the entire volume of credit in the form of loans to municipalities, "non-profit" enterprises, etc., would amount to a very considerable sum. Presumably this considerable sum would have to be secured from the sale of municipal, state or federal bonds. Thus we would bring this whole enterprise into competition with the sale of securities for all of those private enterprises which promise not alone a normal rate of interest, but a large profit as well. There could be but one outcome in pursuing such a policy. Government securities would decline in value as our enterprise grew in volume. The result would be inflation. We should be satisfied with the present conditions in this respect. If there still be doubt as to the validity of the theory thus presented, a look in upon the British scene would satisfy any one. Great Britain has passed through this period of com-

munitistic action confined to consumption in competition with an investment for profit competitive system of production and has now reached the point where an outright subsidy of £250 per house will not start the production of houses.

WHAT LOAN CREDIT ACCOMPLISHES

But the real question involved on this head is not a matter of choosing between the use of public or private credit; it is rather a question as to what is the function of loan credit. A century and a half of almost unhampered experiment has brought a great many people to the point of saying that, as a general proposition, the only function of loan credit is to transfer the right to use material and services from one person to another. If this be the case, then the adoption of the plan of using state credit would not help a great deal in producing homes for the people.

TOPIC II

SECOND ARGUMENT

BY JOHN J. MURPHY

MISTAKEN VIEW OF PUBLIC CREDIT

In the discussion of this subject, I find my opponents completely at variance. Clearly public credit may be employed directly by public authorities, or indirectly by lending money, borrowed by the public, to associations or individuals proposing to engage in individual house production or building on a large scale. I stand between the two extreme positions. Government is largely responsible for the predicament in which we find ourselves due to its sins of omission and commission. It is the agent of society, or at least that part of society that has the intelligence, energy and resources to make its will impressive. It may fairly be called upon to aid in remedying some of the consequences of its own errors.

DEFECTS IN BANKING SYSTEM

Among these is a banking system which tends to divert the great volume of available capital into

short term loans, which, as they offer larger returns are sought in preference to the long term loans which building requires. An amendment is now proposed to the Federal Reserve Act, requiring national banks which maintain savings bank departments to invest all savings in such forms of securities as may be directed by the Federal Reserve Board. The object of the amendment is the adequate protection of the interests of depositors. Its effect will be the diversion of more than \$2,000,000,000 from short term loans to long term investments in construction enterprises. This sum is equal to the present combined assets of the building and loan associations of the United States. If this measure is adopted, it will go a long way toward accomplishing all that the extension of public credit might be expected to do, and do it in a much better and safer way.

HOW CAN PROPER VALUATION BE OBTAINED?

The history of direct loans by the State, in any of its various guises, to private individuals or corporations is not encouraging. Problems of valuation arise, which it is difficult for private firms, with all the incentive of private interest, to properly control; it would be entirely impossible for public officials to prevent grave scandals. Yet, with all its drawbacks, it would have some advantage over direct action by the state. In 1836, the State of New York received from the United States over \$5,000,000, as its share of a surplus then in the United States

treasury, not altogether as a gift, but a fund to be used for the benefit of schools and education. The Federal Government is empowered to ask for an accounting at any time, but has not done so to date. The fund was to be invested in improved real estate. Most of it is irrecoverable. The enforcement of payment of obligations due the government is always a tedious and unpopular process.

LABOR COLD TO HOME-OWNING

A factor which must be given due weight in the consideration of this feature of the case is the opposition to home-owning which is shown by some branches of organized labor. Their point of view is quite defensible, on account of the uncertainty of permanent employment, which has hitherto characterized so many trades. The possession of a home with a mortgage on it diminished the workman's mobility, and often prevented him from carrying his labor to the best market, while in the event of strikes, he became timid for fear of losing the interest which he had already acquired. Until conditions change so that this attitude changes, the number of home-owning mechanics is not likely to greatly increase.

THE "OWN-YOUR-HOME" MOVEMENT

The Own-Your-Home movement deserves encouragement, but its task has been made difficult by the suspicion which has been engendered that all organ-

ized propaganda has ulterior motives. This frame of mind is one of the most marked aftermaths of the war. A number of people who have some money saved are going into house building for themselves, but they are not the people whose need is greatest. We must produce housing at wholesale for a good while to come, and commendable as are the efforts of building and loan associations, they will not supply more than a fraction of the actual needs of the community. So the use of public credit will not meet the emergency, whether used directly or lent to others, unless we can stimulate or revive the normal courses of supply, private initiative and private investment.

TOPIC II

SECOND ARGUMENT

BY EDITH ELMER WOOD

WHAT IS PUBLIC CREDIT?

The very first sentence in Mr. Murphy's statement is productive of something like despair. If so eminent an advocate of individualism is guilty of such confusion of ideas, what can we expect of the ordinary run of them? He says we ought not to have public credit for housing because of "the wasteful manner in which public money is usually expended." What does he think public credit is?

Does he suppose that a workingman who borrows \$3,000 from a government housing fund to build himself a home, is thereby infected with extravagance? Would it be better for him to borrow from the usurer Mr. Murphy admits is lying in wait? What does Mr. Murphy think of the Federal Farm Loan Act? Does he claim that it has fostered extravagance among farmers?

Or is it simply that government loans and government housing present themselves so nebulously to his mind that he makes no distinction between them?

THE STATE WILL DRIVE OUT PRIVATE ENTERPRISE

Mr. Murphy says, "The entry of the state into the housing (loan?) field would drive out private ventures in the same field." But there *are* no private ventures in the field where we want government loans to operate—the field of providing homes for low-paid wage earners. There have been none for many years, if ever. Is private business initiative such a dog-in-the-manger that it will neither extend credit itself to the workingman, nor suffer him to get it in any other way? We do not for a moment advocate indiscriminate government loans.

**MR. ACKERMAN ADMITS BENEFICENT EFFECT
OF GOVERNMENT LOANS**

Mr. Ackerman says he is opposed to government housing loans because they would prolong the life of the present industrial system. In other words, he admits that they would improve the living conditions of workingmen and *therefore* objects. He wants all the bad features of the present conserved, in order to hasten our arrival at the revolution point.

**HOW LARGE WOULD BE THE FIELD OF
GOVERNMENT CREDIT?**

He says if we had government loans, "no other credit would flow into building operations of the same class." But, as has just been pointed out to Mr. Murphy, we are only proposing government

credit for those groups toward whom no credit whatever is, or has been, flowing.

No one knows exactly how large is that section of the population. Government credit probably cannot supply it all. But if it ultimately supplies one-tenth of all the people, which is by no means beyond the bounds of possibility, the worst of the old houses can be vacated, and the up-keep standard of the others will necessarily be raised.

Mr. Ackerman is right in calling attention to the bad results of issuing too many housing bonds at once. Fortunately it is quite possible to avoid this danger.

BRITISH HOUSING SUBSIDIES

As to the present (temporary) British policy of housing subsidies, I am not advocating anything of the sort for the United States. I do not believe the emergency calls for it. Mr. Ackerman says we will come to it, if we adopt a housing-at-cost policy, because the British had an at-cost system before the war. *Post hoc, ergo propter hoc.*

TOPIC II

SECOND ARGUMENT

BY FREDERICK L. ACKERMAN

MR. MURPHY DISCOVERS A MOTE

While Mr. Murphy and I are plainly moving in opposite directions in our argument, yet we pass this point in the debate without collision. Both conclude that public credit should not be employed.

He makes one statement, however, in his argument which bears a little looking into. He says, "the difficulties of obtaining money for housing loans is not that lenders are unwilling to put money into building, but they are unwilling to advance as high a percentage . . . as they did hitherto . . . They fear . . . a depreciation." A man desiring to secure a loan and having tried repeatedly to secure a loan would put it in this fashion: "I saw the Controller and he said *nothing doing*." I suspect—I really believe—that Mr. Murphy has provided me with a very fortunate illustration of what I have repeatedly referred to as blameless sabotage—which of course is very much to the point as regards my main contention. I ask a question: is not this hesitating

attitude on the part of the lenders to be viewed as blameless sabotage—one of the inevitable consequences of our system of investment for a profit—price competition?

But since Mr. Murphy agrees with me that public credit should not be employed, we may, therefore, proceed immediately to Mrs. Wood's argument.

WHAT WERE THE ACTUAL RESULTS?

Mrs. Wood's argument upon this head is mainly a statement of what has been done by way of legislation looking toward the use of public credit. Mrs. Wood has little to say about the *actual* conditions which obtained prior to the war in the various countries which she mentions as having resorted to the use of public credit to solve the housing problem. Actual conditions in 1913 as regards the then accumulating shortage of houses in the countries mentioned should shed light upon the question. Her statement of the case leads one to assume that the housing problem must have been moving toward solution wherever the use of public credit had been employed. It is therefore that I ask: What was the actual drift of events in this connection in these countries mentioned, say, in 1913? Was the shortage of houses accumulating or decreasing?

WHY PICK ON ONE PROFITEER

But it is clearly evident that Mrs. Wood recognizes and names one of the underlying difficulties in the

present situation, for she says "these desiderata can only be had under Government auspices since they involve the *elimination of profit* from the lending transaction." It is clearly evident that the elimination of profit appeals to Mrs. Wood as an important factor. I must therefore ask: If it is desirable to eliminate profit from the "lending transaction" which she refers to, why it is not likewise quite as desirable to eliminate profit from the various other "lending transactions" all down the line in the fabrication of materials and in the use of land. Why pick on one (blameless) profiteer?

ONLY A MAKE BELIEVE

The scheme which Mrs. Wood advocates is not built upon a very firm foundation, for it allows, as I have already pointed out, the whole list of wastes, curtailments and cancellations of effort which take place inevitably in our system of production conceived in terms of investment for a profit and price competition. What her scheme accomplishes of course is the *apparent elimination* of one of the wastes, that is to say one of the profit transactions. But is it not true that this elimination is proposed *in order that we may retain* the entire list of profit transactions, wastes and curtailments which take place in our system of production animated by investment for a profit?

TOPIC II

THIRD ARGUMENT

BY JOHN J. MURPHY

Answering Mrs. Wood:

PUBLIC CREDIT MERELY POWER TO RAISE MONEY

Misapprehensions due to use of words or phrases are more or less inevitable. Mrs. Wood deems me ignorant of the meaning of public credit. I have to retort that she limits it in a manner which nothing in our topic suggests. Public credit is the ability of Federal, State or Municipal authorities to borrow money. The money when borrowed may be used either by the public directly, as in construction of subways or reservoirs, or it may be lent, after amendment of the constitution, to individuals in the manner which Mrs. Wood evidently has in mind. I am not responsible for the limitations which she attaches to phrases which have a wider significance. Had our topic read, "Shall we employ Government loans?" that would have been a different matter.

REASONABLE PROFIT POSSIBLE IN BUILDING
CHEAP DWELLINGS

It is not in accord with the facts to state that there have been no private ventures in the field of pro-

viding homes for low-paid wage earners. During the past fifteen years not less than \$400,000,000 has been put into tenement houses, where rents did not exceed \$25 per month, in New York alone. Hundreds of such houses where rents of apartments did not exceed \$15 were erected. Similar construction has gone on in other large cities.

DANGERS OF GOVERNMENT INTERVENTION

As regards advances for home building. Outside of ordinary business channels it is a dangerous financial experiment. Can Government evict people who do not pay? Legally and physically, yes, but actually it is extremely doubtful. A big local political issue can always be made out of proposals to compel people to live up to their obligations to Government. It is about as hard to enforce Government's claims against a group of citizens, as it is to enforce a citizen's claim against Government.

As to Mr. Ackerman:

REFUSAL TO LEND DUE TO FEAR OF FUTURE DROP IN VALUES

His criticism of my stand on this subject is not very searching. I do not believe that the refusal of great organizations of capital to lend on housing as large a percentage as usual, is based on wrong motives. The future drop in values to a greater or less extent is inevitable, as many see it. Many big institutions are lenders of trust funds. No one can properly criticise their taking an attitude of caution.

TOPIC II

THIRD ARGUMENT

By EDITH ELMER WOOD

WE WELCOME MR. MURPHY TO OUR RANKS

Mr. Murphy is a homeopathist in social economy. He lays all our ills to Government, and has recourse to more Government for a cure. He does me the honor to advocate legislation releasing national bank deposits for housing loans, which he will find suggested in my book, *The Housing of the Unskilled Wage Earner*.³

There are two differences in our plans, however. Mr. Murphy outherods Herod by making the loans compulsory, and he lays no restriction on the beneficiaries. That bars out the workingman. We both know there is not enough credit from this source to build houses for everybody. The question is: Shall we steer it to those who have, or to those who have not?

ASSERTION IS NOT PROOF

Mr. Murphy says "The history of direct loans by the state is not encouraging." To me it is extremely

encouraging. He says "It would be impossible for public officials to prevent grave scandals." To what grave scandals can he point in the administration of the Belgian Housing Act? The New Zealand Advances to Workers Act? The British Housing of the Working Classes Acts? In the French, German, Italian or Norwegian loans? Or our own Federal Farm Loans?

A PLEASURE TO ANSWER QUESTIONS

I grant Mr. Ackerman my proposal eliminates only the final profit, but the elimination is entirely real,—not apparent as he calls it.

Replying to his question: The housing problem was moving toward a solution in various countries in 1913 just about in proportion to the extent to which public credit was being used.

³ *Housing Loans by National Banks*, pp. 267, 268.

TOPIC II

THIRD ARGUMENT

BY FREDERICK L. ACKERMAN

MRS. WOOD TRUSTS AGAIN. PUBLIC CREDIT NOT SUFFICIENT TO START THE GAME

Mrs. Wood counters my main argument—my objection to the use of public credit, by saying: "Fortunately, it is quite possible to avoid this danger." She does not make it clear as to how this danger could be avoided. My contention is that it cannot be avoided, since the volume of securities required, if any appreciable change were to be effected, would have to be very considerable. We should be sufficiently familiar with the results of constantly extending the volume of credit.

IT WILL NOT WORK ANYWAY

Mrs. Wood states that she is not advocating anything like the "present (temporary) British policy of housing subsidies." Now, it is notorious that after eliminating the profit of the speculator, we cannot provide houses for the lower paid wage worker for a rent which he can afford to pay and at

the same time provide for the interest and amortization of the investment. From the data available as regards cost of building and the rent which the lower paid wage worker can pay, it is clearly evident that we would be required to provide a subsidy approximating that which I referred to in connection with the present scheme of housing in Great Britain. It therefore looks to me as if we would of a necessity have to *start* with an outright subsidy to build the first house.

NOT MUCH OF AN ARGUMENT

I do not admit that the use of public credit, while prolonging the life of the present wasteful industrial system, would improve the living conditions of the workers. I did not suggest that I "want all of the bad features of the present conserved." My contention is that nothing of any importance can possibly be accomplished by the indirect methods suggested by Mrs. Wood, since they in nowise aim at modifying the conditions which operate to bring about the conditions of mal-adjustment. I hold that for the reasons repeatedly stated, the modern industrial system cannot "come across with the goods."

TOPIC III

SHALL WE HAVE MUNICIPAL HOUSING?

TOPIC III

FIRST ARGUMENT

BY JOHN J. MURPHY

- 1. I oppose municipal operation of housing as a public utility.** Such experiments have always proven wasteful and costly as compared with similar private undertakings.
- 2. Mrs. Wood thinks that so-called lower paid wage earners would like to live in artisan's dwellings, as they are called in Europe. I don't.**
- 3. Mr. Ackerman thinks such a plan would increase congestion. I differ with him.**

A SPECIOUS PROPOSITION

At first glance there seems much to be said in favor of making the housing problem a matter for direct action by the municipality. Does not the city, as a matter of self-protection, provide alms-houses, hospitals, jails? If it provides shelters for the paupers, criminals, and vagrants, why not for average citizens unable to find a home? There is a curious quality of character, called self-respect, which causes the average citizen to hesitate about enrolling himself

among the defectives and delinquents. Artisans' dwellings, to a very limited extent, have existed abroad and mechanics dwell in them, but in Europe there is a very general recognition of the fact that large portions of the population are living on wages below the living level. Here, whatever may be the truth, such a condition is not accepted by our citizens to any great extent.

" POLITICALLY CONSTRUCTED "

If we may judge by all precedents established in municipal construction, the great mass of such buildings would be politically constructed. The land would be purchased from the owner having the greatest pull, at a price determined by the size of the city's pocket book, the building would be constructed of expensive material and in leisurely manner, and on an arbitrary plan, embodying the view of some eminent architect who knows how the people should live rather than how they want to live.

WILL COST MORE THAN PRIVATE CONSTRUCTION

When, after a couple of years, which is the shortest time in which municipal buildings are ever constructed, they are opened to occupancy, if they are rented for enough to provide a fair return on costs of construction, etc., they will not provide homes for our poor citizens, because they will cost more than privately erected buildings. If they are cut down to a rent regardless of cost, which the tenant can

afford to pay, it will mean that the whole housing programme for the city will be left to the city, except, perhaps, the construction of very expensive apartments. Can any one doubt, if the occupancy of such buildings would confer any special advantage on the tenant, that they would constitute a very subtle form of political patronage?

THE PROPER FIELD OF MUNICIPAL OPERATION.

Municipal ownership and operation has its proper field. It may be properly utilized whenever any public service needing for its performance the use of public property is to be rendered to citizens in common. Water, light and transportation supply are examples in this category, in normal times. Emergency housing in times of catastrophe is of course included in this consideration.

LIMITED BORROWING POWER

It must not be overlooked that any programme of municipal ownership and operation confronts at the outset the problem of finance. Our cities are limited in borrowing, usually by the state constitutions, to ten per cent of the value of real estate assessed for purposes of taxation. Some states limit their cities even more rigidly. A glance over the figures of city debts indicates that many cities in the nation have already borrowed nearly all they are entitled to, so that any such programme as would be involved in the municipal ownership and operation of hous-

ing could only be undertaken after long delay. And we are dealing with a situation which calls for a prompt solution; but it must not be a solution which leaves the patient worse off than he was when the treatment was administered.

FAILURE OF ATTEMPTS TO REGULATE PRICES

Men of judgment must admit that whenever the state attempts things outside of the comparatively narrow range of functions, which are its proper province, it makes a poor showing. When it attempts to regulate prices, it can prevent the sale of articles at prices above the maximum which it fixes, but it cannot bring it about that any articles shall be sold at all. Recently it attempted to control the price of sugar, with the result that sugar became practically unobtainable. When the ban was taken off, sugar became purchasable, though at a higher price. As a preventive force Government is all powerful; as a constructive force it is negligible.

TOPIC III

FIRST ARGUMENT

BY EDITH ELMER WOOD

1. I favor the supply of houses to lower-paid wage earners by municipalities as a self-supporting public utility.
2. Mr. Murphy's objections are based on misconception of service rendered and distrust of American public officials.
3. Mr. Ackerman vanquishes several straw men of his own creating.

WHY IT IS NECESSARY

Whether we like it or not, we must resort to municipal housing, unless we can dam the flood of modern tendency (with something more than words) so as to halt the growth of cities, or unless we are willing to condemn an ever increasing section of their population to a soul and body stunting life under conditions of constantly increasing congestion, till, like Glasgow and Dublin, more than a fourth of the population, or like Berlin, nearly half of it, live in one-room tenements.¹

In great cities there is always a considerable element lacking the initiative and the resources to arrive at home ownership under the most favorable state-loan conditions. Public welfare housing companies will reach only a fraction of them. City housing, at cost, is their only salvation.

BRITISH EFFORTS TO AVOID IT

If ever a people were wedded to the philosophy of individualism, *laissez-faire*, and business initiative, it was the British. But when they found that families living in the London slums became extinct in three generations, and that the second generation was unfit for the recruiting sergeant, they woke up. They saw that, for a considerable segment of the population, the element of profit must be eliminated from housing, if they are to be fitly housed.

They tried to do it first through philanthropy. They did far more in that way than we have ever done, though it was an American, George Peabody, who established the first big housing fund in London. Through it and nine other foundations, 125,000 people were eventually housed.² Good was accomplished. Death rates were lowered. But what philanthropy could do was seen to be only a drop in the bucket, and the relationship established was somehow all wrong.

Then the credit systems already described were launched and pushed. It was realized that community credit must be drawn on, but it was hoped

that private initiative might still manage the enterprises. A great deal has been done in this way. The co-partnership garden city or garden suburb societies represent the final flower of the movement.

But still it was not enough.

MUNICIPAL HOUSING IN ENGLAND

Liverpool, Manchester and London began building, then many cities. Before the war, the London County Council had provided 9,822 homes for 57,942 people.³ It has a programme under way now involving the completion of 10,000 more homes by March, 1921, and 19,000 additional in the four years following.⁴ Between 1910 and 1917, 205 different urban councils and 116 different rural councils had undertaken housing projects.⁵

Great Britain at first permitted municipalities to provide housing (Shaftesbury Act of 1852), then encouraged it (Housing of the Working Classes Act, 1890) and finally made it obligatory (Housing and Town Planning Acts, 1909, 1919).

MUNICIPAL HOUSING IN GERMANY

Germany is the other country where municipal housing has been most extensively tried out. Mayor von Wagner started it at Ulm in 1888. In 1910, 42 cities with population over 50,000 had provided housing for their own employees, and 15 such cities for the working classes in general. In addition to municipal activity, the various German states, and

even the empire (for imperial employees) carried on extensive housing operations.

Municipal housing has, generally speaking, been more economically handled in Germany than in England, but the English housing standard is higher.⁶

IN OTHER COUNTRIES⁶

Besides Great Britain and Germany, municipal or national housing has been tried rather extensively by Austria and Hungary, and to a less extent by France, Italy, Chile, Argentina and Cuba. It has made a beginning in Australia, New Zealand, Sweden, Switzerland and Belgium.

IN THE UNITED STATES

We have no instance of municipal housing as yet in this country. There is no insuperable obstacle if and when we decide we want it. In some states constitutional amendments will have to be secured, in others only an enabling act will be necessary. Some city charters will have to be amended. Some debt limits will oppose a difficulty, though bonds issued for self-supporting utilities are commonly excluded.⁷

One state, Massachusetts, is carrying on a small experiment in state housing. The Massachusetts Homestead Commission, with a munificent appropriation of \$50,000, bought and laid out 7 acres of land in Lowell and built 12 houses, which it is selling at cost on the installment plan (27 years' maximum time and 5 per cent interest).⁸

The federal government, during the war, through the United States Housing Corporation, acting under the Department of Labor, carried on extensive housing operations.⁹

Municipal housing is a live issue in New York, Boston, Pittsburgh, Washington, and several other cities.

It is coming as surely as to-morrow.

¹ *Housing of the Unskilled Wage Earner*, pp. 133, 134.

² W. Thompson, *Housing Up to Date*, p. 143.

³ Report of the London County Council, 1915.

⁴ *Housing Betterment*, Dec., 1910, p. 13.

⁵ Forty-fifth and Forty-sixth Annual Reports of the Local Government Board.

⁶ *Housing of the Unskilled Wage Earner*, Chap. V.

Bulletin 158, U. S. Bureau of Labor Statistics.

⁷ John Nolen, *New Ideals in the Planning of Cities, Towns and Villages*, p. 108.

⁸ Reports Massachusetts Homestead Commission.

⁹ Report of the U. S. Housing Corporation.

TOPIC III

BY FREDERICK L. ACKERMAN

FIRST ARGUMENT

1. Another form of subsidy to failing financial business system. Would stimulate the growth of cities and end in more congestion. Precisely what we should avoid. A dubious proposal.
2. Mrs. Wood's housing "at cost" a misleading and utterly meaningless expression. Needs looking into.
3. Again Mr. Murphy and I agree. His failure to recognize sabotage provides me with good illustration.

It is fair to say that this question has very reluctantly shown its head in America. But now the question is openly debated; and what is to be noted as characteristic of nearly all the talk about it is that it is viewed as a temporary measure—a policy to be adopted for the time being by some courageous state legislature, and then left on the doorstep of the unsuspecting municipality. It is equally fair to say that the question is not ordinarily associated with

communal ownership of all habitations. But let us examine this matter and discover, if possible what it is all about.

A SUBSIDY TO WHAT?

It should be fairly obvious to any one that municipal ownership and operation of houses for wage workers involves the building and renting of houses for a price which the worker can afford to pay. At the present juncture, if we accept as low a standard as the minimum set up in our various tenement house laws, we are faced with the fact that adequate homes cannot be built and operated for a rent which the lower paid wage workers can pay. Hence, of course, the plan falls under the category of subsidy. But the question arises—a subsidy to what? The answer is not difficult if we view the matter without prejudice. It is a subsidy to the modern industrial system. While such a plan eliminates that social loss which appears in speculative turnover of property, the entire list of wastes which arise out of the production of the materials which go into the building of such habitations remains to baffle us.

Of course no private enterprise could for long compete; and the policy once embarked upon would ultimately follow the same course as was outlined with respect to the use of public credit. The municipality would of necessity be required to assume no less than the full obligation of adequately housing its entire wage working population. All that was

said with respect to inflation as following the use of credit for this purpose likewise applies to the plan of municipal ownership and operation. As a plan of action, it disregards completely the cause which has brought about the present condition of mal-adjustment. As a remedy it is not therefore to be very highly rated. It may be set down as make-believe number two.

IT MEANS MORE CONGESTION

Important as is the matter just considered, there is still a matter of far greater importance, which should arrest the attention of all. To answer the question in the affirmative—to say that urban centers should take upon themselves the work of building the homes for wage workers is precisely the same as saying that we are all in favor of a policy which can have no other possible outcome, now or in the future, than that of producing a greater and still greater congestion of population in urban centers.

NOT A COMFORTING THOUGHT

The discrepancy which has arisen between the population of urban centers and the supporting agricultural population is sufficient to make us pause. We should pause and consider whether or not we can afford to do any act whatsoever which would further increase that discrepancy. There is no space here to disclose how it is that this discrepancy has come about: we are faced with the fact that for a full

century and a half there has been a constant drift away from rural areas toward the industrial centers. If this drift continues we shall very soon be confronted with the condition that the agricultural population may no longer feed the urban population. Central Europe has long passed the danger point: we are rapidly approaching the danger point in America.

Of course, the distress which we witness about us animates us to grasp at any suggestion. But that is no reason for assuming that what we catch hold of will support us. And still underneath this action conceived as good purpose is the environing economic industrial condition which must have at the doors of factories an "industrial" population somewhat in excess of the needs of industry.

The proposal to support an industrial system which is now running counter to this larger social purpose by collectively taking over the building of habitations for wage workers in urban centers, is a very dubious proposal.

TOPIC III

SECOND ARGUMENT

BY JOHN J. MURPHY

MUNICIPAL OWNERSHIP AND OPERATION WILL NOT WORK

I have to protest again that my associates are wandering from the issue. Mr. Ackerman must be taken as mildly condemning municipal ownership and operation, while Mrs. Wood deems it inevitable, but neither of them answers the question, Will it give us quickly an adequate supply of moderately good apartments or houses? I am enough of an opportunist in facing an emergency like the present, to be willing to throw over any prejudices which I entertain against the idea on principle, as set forth in my opening statement, if it provides the needed supply. I don't care whether it is a prop to the existing order, or whether it is inevitable; the point is, will it work *now?*

NO COMPARISON WITH EUROPEAN VENTURES

Slum clearances in English or German cities are beside the mark, and have no bearing on present conditions here. More private capital has been put into

construction of multi-family dwellings in a single year in one American city, than has been involved in all the English housing schemes, conducted by municipalities. With all due respect to Mrs. Wood's greater acquaintance with the subject, I do not hesitate to assert that the whole British housing programme has broken down, and seems doomed to utter failure.

GOVERNMENT INTERFERENCE KILLS HOUSING IN ENGLAND

The *Manchester Guardian* announced in January that of the thousands of houses needed and expected to be ready at that time only 300 had materialized, and that, Manchester was better off than most other municipalities, which had got nothing at all. Moreover, it was announced that 21 types of houses previously accepted by the government had been turned down as too expensive. But, says the *Guardian*, "we can not imagine lower grades being capable of proper use." And this after three years of preparation and appropriation.

I do not agree with Mr. Ackerman that municipal ownership and operation would drive private capital out of such ventures, because the amount which municipalities could invest would not be sufficient to take care of the demand. The poor man must be content to occupy houses which were built for people who were better off, and subsequently abandoned when some change occurred in the neighborhood.

Regrettable though this may be, it has been the custom of American housing for several generations and in Europe almost universally, so it is no new situation, and the present is no time to change it. What we want now is more houses, as good houses as we can get, but we must have houses of some kind.

NOT A TIME FOR EXPERIMENTS

Later on we will be willing to try experiments to change the system so that the people who build houses may get a chance to live in them, while they are new and clean, but for the moment we must "pass this up."

I re-assert that not only is municipal interference undesirable in principle, unworkable in practice, and slow of accomplishment, on account of constitutional obstacles in the way of the use of the city's borrowing power, but, if all these objections were removed, it would not provide as much housing as would seriously affect the situation.

TOPIC III

SECOND ARGUMENT

By EDITH ELMER WOOD

SELF-RESPECT AND PUBLIC UTILITIES

Since it would be impossible to suspect former Commissioner Murphy of intentionally beclouding the issue, we must assume he really thinks that because the city provides "alms houses, hospitals, jails . . . for paupers, criminals and vagrants," workingmen would suffer a loss of self-respect in renting a house or an apartment, at cost, which was built by the city. Waiving the question as to whether a hospital patient is a pauper, a criminal or a vagrant, will Mr. Murphy tell us whether he thinks a loss of self-respect is involved in sending one's children to the public school? In getting books from the public library? In listening to a public band concert, in using city water, walking on city pavements, or even in riding in one of Mayor Hylan's buses? If not, why not?

Paupers, criminals and self-respect seem to have gone into the discard a few paragraphs farther along, for Mr. Murphy tells us that water, light and transportation come within the proper field of "municipal

ownership and operation." Isn't it rather begging the question just to assume that housing does not?

ARE AMERICAN PUBLIC OFFICIALS ALL GRAFTERS?

The back-bone of the attack lies in the charges that houses built by a municipality would necessarily be poorly built and extravagantly built,—in other words, that all American public officials are grafters. Mr. Murphy's own distinguished record as Tenement House Commissioner sufficiently refutes such calumny.

In a recent book I expressed my own conviction on this question as follows: "If a thing needs to be done, and a host of British, German, French, Belgian, Italian, Austrian and Australasian officials have proved honest and efficient enough to do it successfully, no self-respecting American ought to say, 'We cannot do it here'."¹⁰

MUNICIPAL DEBT LIMITS

In regard to the debt limit, Mr. Murphy will find that self-sustaining utilities like water and light are commonly classified outside it.¹¹ Housing would fall in this category.

WHY ONLY TEMPORARY?

I do not know what gave Mr. Ackerman the idea that those who are advocating municipal housing are doing so only as a temporary or emergency measure. I, certainly, am not.

IS IT A SUBSIDY?

When Mr. Ackerman says that "adequate homes cannot be built and operated for a rent which the lower paid wage worker can pay," does he mean on the basis of a business return? If so, we are agreed. But in that case, he has no reason for calling the at-cost service which has been proposed, a subsidy.

WILL MUNICIPAL HOUSING INCREASE CONGESTION?

Quite surprisingly Mr. Ackerman says municipal housing means more congestion. The municipal housing of *my* acquaintance either builds cottages, twelve to the acre, in garden suburbs, or tearing down huddled slums, rebuilds with broad streets, courts and play-grounds. I do not think Mr. Ackerman's experience has been different. I suspect he only means that municipal housing would make life so much more agreeable that it would help to perpetuate cities. Mr. Ackerman apparently thinks cities can be abolished. I admit I do not.

¹⁰ *Housing of the Unskilled Wage Earner*, p. 255.

¹¹ John Nolen, *New Ideals in the Planning of Cities, Towns and Villages*, p. 108.

TOPIC III**SECOND ARGUMENT**

BY FREDERICK L. ACKERMAN

MRS. WOOD TAKES PLUNGE

Mr. Murphy concludes that we should not resort to municipal ownership and operation. Since I agree with him, we may turn immediately to Mrs. Wood's argument. Mrs. Wood plunges right off by saying that it is "necessary"—thereby acknowledging of course that our industrial system is incapable of performing this important function. Her argument, which had to do with the use of public credit, is very largely confined to the statement of what has been done in other countries. She ignores completely the causes which make it "necessary" in her judgment, to resort to municipal ownership and operation.

Mrs. Wood says: "We must resort to municipal housing unless we dam the flood of modern tendency . . . so as to halt the growth of cities." It is evident that she does not think that we can dam this flood of modern tendency. She says in effect—let it run on—help it along by resorting to municipal housing. Now it is precisely this condition—the drift of people

into urban centers—which constitutes our problem. I cannot see that she has made a very good case for municipal housing on the score of "necessity."

AT COST—WHAT DOES IT MEAN?

Speaking of "a considerable element, lacking the initiative and resources to arrive at home ownership" she says "city housing, *at cost*, is their only salvation." I will not here debate the question as to whether or not municipal housing is a certain road to the salvation of civilization. I am inclined to think that it is rather a roundabout and dubious way to such an end. But the phrase "*at cost*" must be looked into. What does it mean? Obviously to Mrs. Wood it means no speculative profit to a builder—no profit on investment to a landlord. Not a bad idea! But let us look again. How many profits have been taken in the chain of land transfers? And what about the wastes, obstructions and cancellations which have been making a pyramid of "*costs*" in the fabrication, in the sale and in the delivery of the materials?

NOW VIEW THE PYRAMID

The price of every commodity and service so called entering into such a municipally owned building would carry its proportion of interest upon a vast sum representing capitalized prospective income and "water" in endless enterprises; its share in the "*selling costs*" of endless things and commodities—

most of which may be very remotely related to the materials used; its share in idle plants and equipment consequent upon the condition that prices must be kept up by keeping production down; its share in the cost of strikes, lockouts and the restrictions upon the production of labor; its share in the losses due to the unorganized condition of the entire building industry, which uses the labor power of some trades not to exceed half of the time—all of these losses and many more appear in the price of these municipal houses: and it is said that they are built “at cost.”

SUBJECT OF PROFITS COMES ON TO STAGE AGAIN

A little thought should make it plain that not very much is to be gained by way of a reduction of selling price until we develop an industrial system which approaches its task directly.

Again Mrs. Wood notes the need of the elimination of profit; she says in reference to the British effort, “they saw that for a considerable segment of the population the element of *profit* must be eliminated from housing if they are to be fitly housed.” Again I ask the same question that I asked in the previous statement: if it is important to eliminate profit, why stop at the elimination of merely one profit? Why not attempt to eliminate the real waste in the building industry by organizing it?

TOPIC III

THIRD ARGUMENT

BY JOHN J. MURPHY

GOVERNMENT COST GREATER THAN PRIVATE COST PLUS PROFIT

Mrs. Wood's contention that municipally provided houses would be supplied at cost, and that therefore no loss of self-respect would be involved in using them, breaks down before the fact that cost of construction by Government would always be so much higher than by private capital that rents for such houses, if fixed on a cost basis, would be higher than in privately constructed houses, and hence no practical benefit would ensue to the tenant.

WE GET NOTHING FROM GOVERNMENT GRATIS

Mrs. Wood seems to labor under the delusion that we have free schools, libraries, concerts and city water. I am sure on second thought she will recede from this position. We pay for them all in taxes. They are only nominally free.

HIGHER COST OF GOVERNMENT CONSTRUCTION INHERENT IN SYSTEM, NOT MAINLY DUE TO GRAFT

I have not contended that municipal ownership and operation has not its proper place, but housing is not its function. Those who use services should pay for them. Neither have I contended that all officials were grafters; that is Mrs. Wood's inference. The added cost of all Government work is due to formalities and requirements over which the officials have no control, and which we have found no means of dispensing with. I do not admit any superiority of foreign officials over our own. If the inside facts of foreign administration were subjected to proper accountancy examination, the conditions that I foresee here would be found abundantly there.

HOUSING NOT A PROPER GOVERNMENT FUNCTION

I am not taking ground against municipal ownership and operation, but only against attempting to extend it into a field where it cannot function properly. England has had vast experience and much success in municipal ownership and operation, but its housing programme has resulted in a colossal fiasco. Why should we repeat it, and lose not only money, but what is more precious, time, in attempting a proved impossibility?

ERROR AS TO EXCLUSION OF WATER AND
LIGHT BONDS FROM CITY DEBT

I believe that Mrs. Wood is mistaken as to the exemption of water and light bonds from inclusion in city debts. In some city charters there is the provision that bonds for water supply may issue even though the debt limit is exhausted, but no more bonds for any other public purpose can be issued until the city's borrowing power catches up, which is, of course, a different thing entirely from Mrs. Wood's supposition.

TOPIC III

THIRD ARGUMENT

By EDITH ELMER WOOD

MR. MURPHY AND THE BRITISH HOUSING PROGRAMME

Mr. Murphy says he is enough of an opportunist to favor municipal housing if it will work,—if it will provide us quickly with needed houses. He bases his contention that it will *not* work on his assertion that "The whole British housing programme has broken down and seems doomed to utter failure," quotes a "kick" from the *Manchester Guardian* that only 300 houses of the thousands promised had so far materialized (date of January, 1920), and exclaims "And this after three years of preparation and appropriation."

After Mr. Murphy's handsome acknowledgment of my "greater acquaintance with the subject," I really hate to point out that the present British Housing Act only became law on July 31, 1919, the Acquisition of Land Act was passed the following month, and amendments to the Housing Act, found to be necessary, were not secured till late in December. This doesn't leave much of Mr. Murphy's three years.

And to have actually finished even 300 houses out of the 10,000 or more planned for Manchester, in the midst of starting nation-wide projects for several hundred thousand homes seems to me rather quick work, in spite of the inevitable fault-finding of an opposition newspaper.

WHY CROSS BRIDGES TILL WE GET TO THEM?

Mr. Ackerman points out again, quite truly, that my proposals eliminate only the *final* profit. He asks "Why stop at the elimination of *one* profit?" To which I reply "Why not begin with that? If it proves enough, we can stop there. If it doesn't, we can go on."

TOPIC III**THIRD ARGUMENT**

BY FREDERICK L. ACKERMAN

MUNICIPAL HOUSING "AT COST" DOES NOT MEAN VERY MUCH. WHY STIMULATE THE GROWTH OF CITIES ALREADY TOO LARGE?

I assumed from the opening paragraph of Mrs. Wood's first argument that she took the position that if we could "dam the flow of modern tendency . . . so as to halt the growth of cities," it would not be necessary to resort to municipal housing. Assuming that she would later develop a programme for checking the flow of population into urban centers, I (wrongly) took for granted that municipal housing was to be viewed as a temporary measure.

"AT COST" A LOOSE PHRASE

Again, I repeat that municipal housing is to be viewed as a subvention to our wasteful modern industrial system, since by embarking upon such a programme we engage to absorb the entire list of wastes and losses to which I have repeatedly referred. All

of these sundry wastes and losses appear, of course, in the final price of the municipal house. Nowhere in my argument have I used the phrase "at cost" in the loose, meaningless way that Mrs. Wood repeatedly uses it. Municipal housing, carried out in the manner advocated by Mrs. Wood, is not to be looked upon as housing "at cost."

WHY STIMULATE GROWTH OF CITIES?

As to congestion: I stated in my argument and I repeat that a policy of municipal housing, once embarked upon, would of necessity run in the direction of stimulating the growth of urban centers. Nowhere in my argument have I dealt with the problem of slum clearance and re-housing. In her rebuttal, Mrs. Wood completely avoids my major argument relative to the importance of *not* stimulating the growth of urban centers.

I have not advocated anywhere in my argument the abolition of cities. I have argued that any *deliberate, collective act* which aimed directly at stimulating the expansion of cities was to be set down without further argument as an act running counter to our central purpose. Mrs. Wood has not met my arguments in this respect.

TOPIC IV

**SHALL WE EXEMPT MORTGAGES AND
IMPROVEMENTS FROM TAXATION?**

TOPIC IV

FIRST ARGUMENT

BY JOHN J. MURPHY

1. I favor exemption from taxation of incomes derived from mortgages, and all new buildings erected within three years for a limited period. Remove the obstacles, and buildings will rise.
2. Mrs. Wood accepts this proposition with some qualifications. For this small favor I am grateful.
3. Mr. Ackerman thinks that an exemption is the same as a subsidy. If you break a man's leg and give him a crutch it is a subsidy. Would it not have been better not to break it at all? That would be an exemption.

THE MORTGAGE TAX DELUSION

The answer to the above question must be divided into two parts:

- (1) The effect of the Exemption of Income derived from Mortgages on New Buildings.
- (2) The Effect of the Exemption of New Buildings.

A mortgage is an instrument by which, in return for a loan the owner of property pledges his property for the return of the loan with such interest as may be agreed upon. It has long been a popular delusion that by taxing mortgages, we were getting money out of the unpopular class known as money-lenders. As a matter of fact, they always "passed the buck" to the borrower.

THE BORROWER ALWAYS PAYS

Of course, we tried to stop this by putting a limit on the interest which might be charged, but again the law was circumvented, for the borrower, being obliged to have the money, paid a "bonus" to the lender. Nominally loans are made to individuals to-day at 6%, because that is the maximum rate that the law allows in New York, but borrowers are paying 8% or more actually—another case where attempted Government interference, however humane and well-meant, is nullified when it encounters economic law. Capital has never been so plentiful that it had to beg for employment, and until it becomes so, taxes on mortgages will always be paid by the borrower.

WOULD MAKE BUILDING LOANS CHEAPER

Hence, exemption of income derived from mortgages on new buildings would make loans for building cheaper and easier to get. In housing this is very important. Practically everybody who builds has to get a mortgage to help "carry the

property." The number of people who own their homes "free and clear" is small. If mortgage money can be had, cheaper building will be easier. And the difference will be more than the actual exemption capitalized, for investors are a little more willing to invest in tax-free securities than in others. Therefore, there can be little doubt that such exemption would be helpful as far as it goes. Those who think that the benefit would go entirely to the lender are mistaken.

EXEMPT NEW DWELLINGS FROM TAX

The effect of exempting improvements in general from taxation is not a practical question at the moment, though it would have beneficial results; what is a practical question is the exemption from taxation of new buildings designed for dwelling purposes. It can hardly be gainsaid that the real estate tax imposed on buildings is one of the most serious obstacles now in the way of new construction. A new building to house 20 families will cost at present prices \$120,000.00, exclusive of the value of the lot.

PRESENT SYSTEM EXACTS 25 PER CENT OF GROSS EARNINGS

The tax on such a building in New York, exclusive of the tax on the lot, would be about \$3000.00, nearly 25 per cent of the gross annual revenue from the building; if this sum were remitted for ten to twelve years, it would offer a handsome inducement to

builders to resume building, and would guarantee them against loss due to falling prices of labor and materials. For a while the result of such a policy would inure to the benefit of the owner, but to the same extent it would encourage others to make similar investments, and competition would soon bring down rents.

WOULD PROVIDE MORE HOUSES

It would get us more houses, which is the main aim of our inquiry, and it is the only policy which can be made operative at once, without delay, and without raising questions which the Courts would ultimately have to settle. It would to all intents and purposes be a subsidy, but it would be a subsidy which could not be misapplied or squandered or used for political or profiteering purposes.

STUPID TAXATION THE MAIN OBSTACLE

We hear much contemptuous reference to the law of supply and demand, in these days—but it operates just the same. Of course, it can be interfered with by Government or monopoly. Government by its stupidity in taxing the things that people want, and that poor people, especially, want, has brought about a state of things where poor people have never had decent and adequate housing. All that is necessary is that Government should stop obstructing; if this is done, and there is still a housing shortage, we can then consider what further to do, but until this is done, there is no use in trying artificial methods to overcome the scarcity.

TOPIC IV

FIRST ARGUMENT

BY EDITH ELMER WOOD

1. Tax exemptions can be made mildly helpful in stimulating building. Unless supplemented by other measures they are hopelessly inadequate.
2. The form especially advocated by Mr. Murphy is highly objectionable. It subsidizes the builder and landlord at the expense of the taxpayer.
3. Mr. Ackerman postpones tax reform till the millennium.

TAX EXEMPTION A SUBSIDY

The exemption of mortgages and the exemption of improvements are two distinct matters that must not be confused. There is also the preferential exemption, much used abroad, but hardly known here.

In general, tax exemption is disguised subsidy, either from the state, which foregoes a portion of its income, or to one group of tax payers at the expense of another group. It may sometimes be desirable, but at least let us have clear thinking and act with our eyes open,

EXEMPTION OF IMPROVEMENTS

The partial or complete exemption of improvements (i.e. buildings) from taxation has been much talked of, and to some extent practiced in the United States and Canada. The effect appears to be good, but no millennium has resulted. The total amount of taxes collected remains the same, but laying them exclusively on land encourages building by making it expensive to hold land idle. The nearer the tax on land comes to absorbing its total rent value (the ideal of the single taxers) the more forcible will be the encouragement. Most economists agree that it is in the public interest to accord improvements some degree, at least, of exemption. The proposal was turned down in the report of the Committee on Taxation of the City of New York in 1916, but a strong minority favored it.

There is a danger in exempting improvements, which is pointed out by Carol Aronovici in his *Housing and the Housing Problem*.¹ Unless a city is protected by zoning provisions covering height of buildings and percentage of area that may be built on, the effect of laying the whole tax on land will be to encourage congestion. That is, in a predominantly three-story district, for instance, with land taxed on that basis, there is a strong temptation to build four, five or six stories, and to cover as much as possible of the lot since the tax will remain the same. Where zoning is already in force, as in New York, this objection disappears.

The exemption of improvements, if safe-guarded by zoning provisions, would exert a helpful influence in reducing the present abnormal scarcity of high-priced dwellings. Its effect on solving the problem of the workingman would be slight, since it would not cheapen house construction. His only chance to benefit would be indirectly, through the removal of some of the better-to-do to other quarters and a consequent lessening of competition for what remained.

EXEMPTION OF MORTGAGES

The much discussed exemption of mortgages from state and federal income tax, either complete or with a \$30,000 or \$40,000 limit, is clearly a subsidy, as it is a proposal to reduce state and national income by the amount of the exemption.

If it is to be done, what form shall it take? Shall all mortgages be exempt? Or only mortgages on dwellings? Or only mortgages on a certain class of dwellings?

If all mortgages are exempt, the house famine will profit little, since there is more money to be made in other forms of building. If mortgages on all dwellings are exempt, workingmen will profit little, except indirectly, as already described. If the exemption were for mortgages on dwellings which were not to rent for more than \$30 a month, say, in the large cities, or \$20 in small towns, there might be created a fringe of profit that would induce a trifle of building. The matter is problematical.

PREFERENTIAL EXEMPTION

The European method referred to is preferential exemption, with the declared object of encouraging the building of workingmen's houses. It is always an indirect subsidy, although not always a permanent one.

In Great Britain, in 1913, 5,607,275 dwelling houses were exempt from inhabited house duty.

On the continent, much fewer exemptions are made, but the exemption is dependent on standard, and is, therefore, particularly beneficial. Thus, in Belgium, tax exemptions amounting to about 50 per cent, are granted workingmen's houses which obtain the certificate of their local housing board that they comply with the standards prescribed.

Total tax exemption for dwellings of approved type and below a certain rental is common in Germany for a number of years, usually 12. France grants partial tax exemption under rather strict conditions of standard and rental. In Italy there is a total exemption of approved houses for 10 years. Austria, Spain, Rumania, and some of the Swiss Cantons grant tax exemptions. Brazil gives a 15-year exemption to companies building houses for working-men.

It all helps.

¹ Pp. 68, 69.

² *Housing of the Unskilled Wage Earner*, Chap. V.

TOPIC IV

FIRST ARGUMENT

BY FREDERICK L. ACKERMAN

1. Tax exemption of income from mortgages a very dubious proposal. To be viewed as a subsidy to financial business system. As a subsidy not sufficient to stimulate building. Single tax proposal upset by system of price competition. Proposal dodges the real issue.
2. Mrs. Wood agrees that it is a subsidy: says it would help. Help what? I ask.
3. Mr. Murphy completely ignores the economic conditions which lead him to advocate the use of subventions.

Under this question it seems pertinent to first discuss that measure upon which so many rest their hopes, viz., the tax exemption of income from mortgages. This measure looking toward the reduction of the income tax naturally comes in for almost universal approval; and of course it is asserted by all its advocates that such action would immediately start the flow of loan credit in the direction of building homes for the wage worker.

A DUBIOUS PROPOSAL

But in view of the condition that the great field of industrial enterprise is now and has been returning by way of dividends, stock bonuses, etc., after all taxes are deducted, a far greater return upon capital invested than is ordinarily to be expected from homes built for the wage worker—in view of this condition of fact, it is not likely that such a move would amount to more than a gesture of good intention. I would not place a very large wager on such a dubious proposal in view of the present cost of building and the condition that rents in general are now far below the return which must be had from new buildings in order to make them show a bare interest return.

NOT EVEN A SUFFICIENT SUBSIDY

But speculation concerning the outcome of this rather dubious suggestion is somewhat beside the point when the matter is viewed from the angle of the significance attached to such an act. With income taxes as now fixed, to exempt the income from mortgages of a certain class is to subsidize the system of production as now carried on. It is a prop to that system of investment for profit which has failed to produce homes while it produces factories for the production of all sorts of less vital things. It gives no aid to the processes (technological) of production; it does nothing to free those processes

from the hampering conditions of price competition; it eliminates none of the waste. The whole list of lost motions and useless services performed in the production, sale and distribution of commodities which go into the building of homes—all these are left to be absorbed by the last of the line—the ultimate consumer. But there is one thing to be said in favor of the plan to exempt the income from building mortgages, it would be likely to disclose the futility of such an act because of the reasons above stated, thus bringing us one step nearer to gaining an insight into the cause which is at the root of the condition of house shortage.

The question implies the application of the single tax, although it is not at all clear that the question is to be construed in this manner. Under the present economic system of taxation, the act of exempting mortgages and improvements from taxation would not stimulate building even in theory. For what stimulates building under the present economic system is the reasonable assurance of a favorable relation between cost of building and expected income. It should be obvious to any one that under present conditions no such results may be expected. The suggestion falls by the same argument as was used in connection with the exemption of the income of mortgages from taxation.

It is important to here note that the theory of the single tax—taxing land in order to bring it into use—fails to take into account that under our economic system production is considered in terms

of profits and not in terms of goods. We might tax land with a view of producing beans or tenements or some other commodity, but paying the taxes would depend upon whether there was a favorable market, that is to say, a demand for these particular commodities at a good price. The system of competition in terms of price again obstructs.

The statements denying the advantages to be gained from exempting mortgages and improvements from taxation are based upon the conditions that such an act, under the working of our financial system, is to be viewed as a subvention to the financial business system which operates against the building of homes. The wastes and curtailments are allowed to remain.

What scheme of taxation should be employed in conjunction with a system of production which aimed at the production of goods instead of profits, is beside the point until we are provided with such a system.

TOPIC IV

SECOND ARGUMENT

BY JOHN J. MURPHY

HALF-HEARTED APPROVAL

The proposition to exempt mortgages and improvements on real estate from taxation receives favorable consideration at the hands of my opponents. The worst that Mr. Ackerman says of it is that it is dubious; while Mrs. Wood finds something to commend in it. But I am not content with these half-hearted concessions. I entirely concede that in amount, the money which would be saved to investors by the exemption from income tax of money invested in mortgages, might be small, but in financial affairs even small differentials count considerably in the final determination of where money will be placed. And it is intolerable, at a time when public need is so great, that the government should act in any way to repress necessary investment in housing.

EXEMPTION OF BUILDINGS FROM TAXATION

It is, however, to the other proposal, the exemption of buildings, especially dwellings, from taxation

that I pin my strongest hopes of speedy relief. Capital, by which I mean wealth ready for investment in productive enterprises, was never more abundant than now. It is seeking and finding opportunities in all directions. It goes where there is the best security and the largest returns.

DIVERTED TO PRODUCTION OF LUXURIES

It has been diverted into the production of luxuries and non-essentials by the large profits which they pay, and yet nearly a billion went into contracts for dwelling houses in 1919, the biggest year by nearly 100% ever known in the building business in the United States. Clearly this sum, big as it is, is not enough to make up for the two lost years in building construction, 1918 and 1917. It must be stimulated further and the way to do it is to take off the embargo now put on building by the tax on improvements. The idea is not a new one. Sydney, New South Wales, is perhaps the most conspicuous example of a large city in the American sense of the word large, which has decided that it is a suicidal policy to tax buildings while the people are in serious need of them.

NOT THE SINGLE TAX

After bringing in the same objection to this proposal that he does to the others, namely that it props the system of investment for profit which he would destroy, and which I would retain, until some other

equally potent human motive can be set up in its place, Mr. Ackerman says that the proposal implies the application of the single tax. Just where he finds a warrant for this idea I am unable to say. It is true that if improvements were exempt there would be one tax less and to that extent, we would have approached that much nearer to the single taxer's ideal, but it would not be very far along the road. I am unable to follow some of Mr. Ackerman's argument on the subject, due perhaps to an unfortunate lack of training in metaphysics, but I believe his meaning to be that taking taxes off new buildings would not add to the profitableness of building enterprises. I think the illustration in my first statement on this subject covers that adequately, and that I may leave to the reader whether he does not think that an increase of 20% in the return from an investment would be a great inducement to go into such an enterprise.

TOPIC IV**SECOND ARGUMENT**

BY EDITH ELMER WOOD

EXEMPTION OF MORTGAGES

Mr. Murphy agrees with me in drawing a clear distinction between exemption of mortgages from income tax and exemption of improvements. We seem also to agree that the former exemption "would be helpful as far as it goes."

EXEMPTION OF IMPROVEMENTS

Rather mysteriously Mr. Murphy asserts, coming to the second question, that the "exemption of improvements in general is not a practical question at the moment, though it would have beneficial results." Please, if it would have beneficial results, why isn't it practical?

EXEMPTION OF ALL NEW DWELLINGS

What Mr. Murphy *does* favor is truly extraordinary—a tax exemption for 10 or 12 years on *all* new dwellings—not dwellings for wage earners, not dwellings whose rentals are subject to public control,

or whose profits are limited in any way—just plain, straight, unconditional subsidy (as Mr. Murphy admits) to the speculative builder and landlord! It would be shockingly socialistic for the city to build houses to rent to workingmen at cost, but it is all right for it to hand out a fat slice of the people's money to a group of business men, who, not so long ago in New York, voted down a proposal to limit themselves to a profit of 20 per cent net!³ What has become of *laissez-faire* and the sacred principle of supply and demand?

WHAT IS GOVERNMENT STUPIDLY TAXING
THAT POOR PEOPLE WANT?

Finally Mr. Murphy leaves us to ponder this cryptic statement: "Government by its stupidity in taxing the things that people want, and that poor people especially want, has brought about a state of things where poor people have never had decent and adequate housing." If they have never had decent and adequate housing (a statement with which I am entirely disposed to agree), how has it been brought about by a stupid system of taxation? And what is the specific stupidity referred to?

EXEMPTING MORTGAGES WON'T BUILD HOUSES
FOR WORKINGMEN

Mr. Ackerman makes a statement, with which I am in full accord, and which I do not imagine Mr.

Murphy would dispute—namely, that the exemption from taxation of incomes from mortgages, which all three of us agree is a subsidy, would not prove a sufficiently large subsidy to start the building of houses for wage workers. The moderate profit which Mr. Murphy and I see in the measure lies in its mild encouragement of building for higher paying tenants.

**TAX REFORM MUST WAIT ON INDUSTRIAL
REVOLUTION**

Lumping mortgages and improvements together, Mr. Ackerman decides that exempting them from taxation would not stimulate building under the present economic system. In other words, nothing doing until we have that industrial revolution! Nor are we afforded any light as to what will happen afterwards. “What scheme of taxation should be employed in conjunction with a system of production which aimed at the production of goods instead of profits, is beside the point until we are provided with such a system.”

Mr. Ackerman surely demands faith from his followers! We are to jump blind-folded out of our present frying pan without even a theory as to where we are to land!

³ See *The Tribune* (New York), March 22, 1920.

TOPIC IV

SECOND ARGUMENT

BY FREDERICK L. ACKERMAN

A SUBSIDY

It appears that it is unanimously agreed that, *under our present scheme of taxation*, the action suggested is to be viewed as a subsidy. Mrs. Wood admits that it is a legitimate subsidy because "it all helps." Mr. Murphy admits it—and advocates it because he believes that such a subsidy could not be squandered.

The admission that the exemption of mortgage income from taxation is a subsidy is important; for questions immediately follow upon the admission. A subsidy to what—why the differential? Apparently that which is to be subsidized is looked upon as an institution of a highly beneficent character—something worth retaining.

WHY A SUBSIDY?

So we return to the question: Why the need of this differential? In arguing this point, Mr. Murphy stages his discussion in the present. He ignores the drift of affairs during pre-war days and the condi-

tion which obtained before the introduction of the income tax. He forgets in this argument that it has not paid (financially) for a long time to build houses for the lower paid wage workers. One should not forget this.

As a general proposition, it may be stated that wages have not been sufficient to provide the lower paid wage workers with an adequate home; adequate homes cost too much. Of course there is a discrepancy—the condition is a matter of necessity to the system of financial business which controls the processes of production. For if all of our labor power were to be directed into the actual production of socially useful things, there could be no margin of profit—no profit upon investment—no discrepancy between pay and what that pay would purchase.

Hence it should be apparent to any one that this subsidy is to be viewed as a subsidy to that system of financial business, the purpose of which is to maintain this discrepancy.

Mr. Murphy stresses the subject of taxation as having caused the shortage of this particular class of building. I ask: Has taxation caused a shortage of other classes of buildings and does not the income from mortgages upon other classes of buildings bear the same rate of taxation?

ALL ABOARD—THE WHIRLIGIG STARTS

In advocating the exemption from taxation of new buildings designed for dwelling purposes, Mr.

Murphy says: "For while the results of such a policy would inure to the benefit of the owner . . . competition would soon bring rents down." Whereupon building would cease. Then we might apply the outright subsidy or state aid to stimulate building so that competition might speedily bring rents down. Whereupon building would cease. Then what?

The discrepancy between wages and the rent of new buildings is due to the condition that through our system of financial business in control of production, labor power is being diverted in ever increasing volume from the production of socially useful goods. Waste of one sort and another is being made a source of profit. Why attempt to solve this problem by these round-about make-believe methods of production?

TOPIC IV

THIRD ARGUMENT

BY JOHN J. MURPHY

**WHY A SOUND, COMPREHENSIVE, ECONOMIC POLICY
IS NOT PRACTICABLE**

I do not consider "the exemption of improvements in general" a practical question at present, because the public mind is dominated by the kind of "modern thought" to which Mrs. Wood referred earlier, and is quite incapable of imagining the ultimate benefits to be derived from such a policy. As I am anxious to get more houses *now* and not to undertake public education in political economy, I only suggest those things, which a moderate measure of common sense without much study, will commend to a public which has much to occupy its attention.

EXEMPTION BETTER THAN SUBSIDY

I think I have already covered Mrs. Wood's objection to my proposal about exemption of new buildings. If there were no other way than by subsidizing builders, I would do it, but I pointed out wherein my plan differs from a subsidy, and I am content to let it rest there, with merely this additional statement, that in my mind it is merely allow-

ing landlord and tenant to retain what never should have been taken away from them. It would not benefit the people who refused to limit themselves to 30% profit, for those were the owners of old houses which would not be affected by this proposal.

HOW GOVERNMENT STUPIDITY OPPRESSES THE POOR

Finally, Mrs. Wood, you ask: "What is the Government stupidly taxing that poor people want?" and I answer—"Houses! old houses, new houses, tall houses, short houses, places to live in, to work in and play in and ultimately to die in. All these the Government taxes as though they were evils. Won't you concede that, unless its act is malicious, we are moderate in calling it *stupid?*"

JUSTICE THE ONLY PERMANENT REMEDY

Mr. Ackerman's main contribution on this point is that a subsidy is an additional reward to capital, which is already getting too much. This point has been discussed above, in dealing with Mrs. Wood's objection.

I entirely concur in Mr. Ackerman's view that inadequate wages lies at the root of the pre-war unsatisfactory housing conditions, and that we must establish a system which will insure every citizen the full value of his labor and his fair share of the social value which he helps to create, before the housing problem can be permanently solved. For the present I have preferred to deal with the immediate provision of tolerable shelter for a steadily increasing homeless multitude.

TOPIC IV

THIRD ARGUMENT

BY EDITH ELMER WOOD

**SHALL WE SUBSIDIZE TO IMPROVE HEALTH
OR TO INCREASE PROFITS?**

We are all agreed, *mirabile dictu*, that tax exemptions are subsidies. I think I have made it sufficiently clear that I dislike subsidies on principle, but that if we are to have them, they should be used for the benefit of those who need help most, not for those who need it least. The tax exemption subsidy can be used as a lever to raise the standard of workmen's housing and thereby benefit the general public health. It is sheer reckless waste to toss it without condition, without discrimination, as Mr. Murphy proposes, to the millionaire erecting a palatial home for himself, and to the speculative builder throwing together a flimsy, race-suicide apartment house with an ornate front door.

**THE TEMPORARY SHORTAGE SEEMS TO BE CURING
ITSELF WITHOUT SUBSIDIES**

The average number of new dwellings built yearly in the United States between 1910 and 1917 was

about 400,000. "1918 saw only 20,000 new houses built. 1919 was a little better with 70,000."⁴ We assume that Mr. Murphy is correct in his statement that nearly a billion dollars worth of dwellings were contracted for during that year. If so, it certainly indicates (making all due allowances for increased building costs) a phenomenally rapid resumption of home building taking place without artificial stimulation. It goes far to justify my belief that we do not need to become unduly excited over the present shortage of high-cost and middle-cost dwellings, in spite of the outcry raised by those who are temporarily inconvenienced.

⁴ See Article by Wharton Clay in *Engineering and Contracting*, March 24, 1920.

TOPIC IV

THIRD ARGUMENT

BY FREDERICK L. ACKERMAN

MUCH TALK ABOUT A PHRASE. WANTED—A LITTLE
MORE COMMON SENSE

It was not my intention in my first argument to confine the issue to the single tax. I then stated my position definitely with respect to this matter. I confined my argument to showing that the several measures were all of relatively little importance under the working of the present economic industrial system. In dealing with the subject of taxation, I take the ground that the solution of the problem under discussion is to be found through effectively dealing with the broad subject of the unearned increment and profit, not as applied to profit in land *alone* but as applied to the general field of investment.

WHAT'S IN A NAME ANYWAY?

Both of my opponents seem to be greatly interested in what they refer to as my "Industrial Revolution." They are apparently much more interested

in this phrase than they are in the common sense idea around which my entire argument revolves. I am dealing with the elimination of wastes, losses, curtailments and cancellation of effort which arise out of our system of competition in terms of price.

IS IT NOT COMMON SENSE?

My proposal may be termed an industrial revolution if one so chooses. I admit that what I propose involves a fundamental change. But what of that? Thus far neither of my opponents have dealt with my major contention which I insist upon is nothing but common sense. I am seeking to install a reign of common sense into our system of production and distribution by eliminating that one factor which so operates as to inhibit us from producing for use.

TOPIC V

HOW SHALL WE DEAL WITH CONGESTION?

TOPIC V

FIRST ARGUMENT

BY JOHN J. MURPHY

- 1. Private appropriation of annual land value is chief obstacle in the way of curing congestion. Zoning regulation is the best practical plan yet devised, but it has not stood the test of wide application.**
- 2. Mrs. Wood enumerates the methods now in vogue for dealing with the difficulty, but without proving that they are at all commensurate with the task.**
- 3. Mr. Ackerman's remedy is "a redistribution of Economic Power," which may mean anything.**

HAVE CITIES PASSED POINT OF MAXIMUM ECONOMICAL POPULATION?

That population in our great cities has been so congested as to produce great evils is too generally recognized to be questioned. Indeed, the steadily mounting figures of city budgets justify the presumption that we have passed the point where concentration of population produces economy of effort

or service, and that henceforth additions to population may be a financial loss rather than a gain. If this assumption should prove true, it will take care of itself.

PRIVATE APPROPRIATION OF RISE IN LAND VALUES DEFEATS BENEFITS OF IMPROVED TRANSPORTATION

Already among city dwellers a back-to-the-land sentiment is growing, not to such an extent as the forward-to-the-city movement which the war has started in rural districts, but still of considerable proportions. Naturally one thinks of improved transportation as one of the most necessary aids in solving the congestion problem, but so far it has not been as helpful as was once hoped. Extending railway systems causes lots to rise in price enormously along their lines, and so the dweller in the suburbs finds, when commutation fare and other expenses incidental to living out of town are considered, that it is as economical for him to pay high rent in the city as to pay lower rents in the suburbs. He gets more light, air, and pleasanter surroundings for a few hours a day, but that is all.

WHY TOWN PLANNING FAILS

The town planning idea has many attractive possibilities, but unless some great corporation, or some branch of the Government can be induced to do these things, no very material benefit comes. When such projects are launched by cities as desirable possibili-

ties, the prices of land within the area rise more than adjacent property, and so the town planners' scheme becomes merely an adjunct to some real estate boom.

LAND SPECULATION AND DEPOPULATION

If the people or their representatives could understand or devise a method of applying to public use the social increment due to such improvements, the problem would soon be solved, but as long as holders of vacant lands see an opportunity to make profits out of land developments, so long will the solution of the problem of congestion be the dream of well-meaning visionaries. That the evil menaces the very life of our nation and civilization no one can question. Children are not merely undesirable; they are impossible at present prices for living space. If they do happen to get born, there is no place for them to grow and develop.

FUTILITY OF REGULATION

There are those who see in this, as in other cases, a call for Government intervention. Let the city or the state prescribe the maximum number of people to the acre, of stories to the house, of houses to the block. Such regulations might be adopted for new sections, but the old areas would remain unchanged, and congestion, which like cancer, is a fatal disease, will continue to grow and harden. Condemnation of congested areas and reconstruction

by the city authorities is sometimes urged as a remedy, but in a city like New York the task has become too colossal to be seriously considered: nothing but some new process as powerful as that which drew the population together can disintegrate it.

WILL THE DISEASE CURE ITSELF?

Perhaps that process, in spite of the apparent growth of the cities, is now under way. Prices of food products are rising from numerous causes, but not the least among them is the withdrawal of labor from rural sections. Agricultural pursuits, like many other kinds of necessary and useful labor, have been treated with contempt by dwellers in cities. The really necessary occupations are coming into their own, and the merely ornamental are being relegated to their true position. The probabilities seem to be that the logic of events will take care of the congestion problem by forcing people back into the primitive extractive industries.

TOPIC V

FIRST ARGUMENT

BY EDITH ELMER WOOD

1. We must prevent the spread of congestion by town-planning, zoning, cheap transportation, and public ownership of land. We must destroy existing congestion by wholesale slum clearance.
2. Mr. Murphy thinks congestion is a dispensation of Providence.
3. Mr. Ackerman regards cities as the handiwork of the Evil One.

PREVENTION AND CURE

Congestion is a relative term. It means a gathering together in a mass. We are talking about congestion in a pathological sense—a gathering so excessive as to endanger health, clog transportation, pervert economic values and put obstacles in the way of family life. Can we prevent it where it has not yet occurred? By persuasion? Or by fiat? Can we undo it where it *has* occurred? And how?

PREVENTION BY EDUCATION

Prevention by the educational method is the best of all, so far as it goes, and forms the necessary

basis of any other method; for unless a favorable public opinion is created, coercion is out of the question.

So by all means, let us have back-to-the-land movements and garden city movements, and let us keep hammering at manufacturers till they see it is to their interest to put their plants where land is cheap and plentiful and where they can have a well-housed and therefore stable labor force within walking distance of their work.

PREVENTION BY INDUCEMENT

Let us do all we can to make country life attractive enough to hold the young people on the farms. Let us multiply cheap transportation to open up suburban areas to the city dweller.

Much is done in Europe by specially priced workmen's trains at certain hours of the day. In Belgium, for instance, along with the housing loans, this system has drawn thousands of city workmen into the country, whence they go to their work every morning on a train which carries them for only a fraction of the regular fare.

PREVENTION BY TOWN PLANNING AND RURAL DEVELOPMENT. ZONING.

All these methods are good, but they are not enough. We must, as we want our country to thrive, at least call a halt on the further progress of congestion. Fortunately, town planning will do it. But

there is no time to lose. Every un-built-on urban and suburban area must be town planned, every rural area must be included in a rural development scheme, and there must be no corner left in which unregulated congestion can occur. This will require state-wide town planning and development laws (since we cannot have national ones), and they must be mandatory, or the communities which need them most will neglect to use them. No one will be harmed except the exploiter. Legitimate property values will be conserved, as well as human life and happiness.

Zoning regulations divide cities into districts where varying heights of buildings are permitted and varying percentage of lot may be built on. These regulations are not retroactive. They affect future building only. Their function is to prevent congestion from spreading beyond the bounds, and within those bounds beyond the degree it has already attained. Districting by use, or the protection of residence districts from invasion of factories and business, is also helpful.

PREVENTION BY CITY OWNERSHIP OF LAND

The tendency to speculate in land, to run up the price of suburban tracts as soon as a new transit system makes it available for dwellings, till it is as dear as the city land it ought to relieve and eventually as congested, is something that can be held in check if we choose to do it.

German cities have solved the problem by quietly buying up land as opportunity offered, both within and without the city. Ulm owns 80 per cent of its area, but that is an extreme case. Even a 10 per cent holding of suburban land will check the activities of the real estate promoter very materially.

We cannot do this without amending our state constitutions, nor without revising some of our conceptions of municipal functions. But there is plain business horse sense in the method, and there is a quarter of a century of German experience in which to study its workings.

CURE BY SLUM CLEARANCE

Where excessive congestion already exists in its most menacing form, there is no known cure except through a major surgical operation. The only effective way to get rid of slums is for the city to buy them up by the acre and clear them off. English cities have been doing it for half a century, continental cities for more than a quarter century. Increasingly, of late years, instead of trying to re-house the people on the same area, they have been transplanted to garden suburbs and the cleared land sold for business purposes.

Slum clearance undertakings have lessened sickness and inefficiency. They have cut death-rates squarely in two. And some of them have, in addition, made an actual dollars-and-cents profit for the city. And yet, we, the richest people in the world, think we cannot possibly afford them.

TOPIC V

FIRST ARGUMENT

BY FREDERICK L. ACKERMAN

1. "Back to Farm" movement runs into an economic difficulty. System of price competition "goes round the end." Restrictive legislation runs up a blind alley. Whole questions hangs on financial industrial system. Solution: a redistribution of economic power.
2. Mrs. Wood continues to ignore the economic forces which suck people into cities. Advocates a variety of palliatives of no consequence.
3. Mr. Murphy would "leave it to George."

Popular opinion on this head runs largely in the direction of "stimulating" farm ownership through the use of state credit; or assisting the farmer in various ways through such activities as those carried on by the Departments of Agriculture, State and Federal, etc. There are also schemes of rural education organized with this end in view.

All of this effort is looked upon by most people as of a beneficent character—something to be promoted as a *practical* way of bringing about a

redistribution of population. A clue to what animates such action on the part of dwellers in industrial centers may be expressed by saying that it is a great comfort to such to have wages up and the cost of food down.

"BACK TO THE FARM" ENCOUNTERS OBSTACLES

But under the guiding forces of business enterprise, operated through a system of price competition, what is certain to follow upon any considerable increase in rural population or any considerable increase of agricultural production, is to reduce the price of what is raised on the farm. Precisely what benefits would accrue to the rural population under such a plan is not at all clear. This is pointed out in order to reveal how it is that our entire economic system is working at cross purposes and against any such plan of action. That such is the case does not hang upon economic theory. For so soon as an agricultural group shows signs of organizing and adopting the methods of the financial business system which exercises control over industrial production, and so soon as it is observed that such a group (the rural community) is about to apply the principles of price competition, and thus curtail output in order to keep prices up—all this due regard for bringing about a redistribution of population through bettering the conditions of the farmer goes by the boards. It does not look as if the solution of the problem was to be found along this line of approach.

RESTRICTIVE LEGISLATION IN A BLIND ALLEY

For half a century we have attempted to deal with this problem within our cities by a variety of restrictive legislative enactments such as tenement house laws, zoning ordinances, etc. These are all in the nature of disallowances of property rights. But, on the whole, the right of the individual to the benefit of any increase in property value which may arise as a result of an increase of population is not appreciably curtailed. To carry these restrictive measures beyond this point would be construed as unconstitutional. Hence it would appear that these laws can have little bearing upon this particular question so long as we hold to our present concept of what constitutes property rights. To frame restrictive legislation of such a character as to make it really effective in dealing with the problem of congestion would amount to a disallowance of the right to the unearned increment. So this problem, so far as restrictive legislation is concerned, resolves itself into a question of investment for profit.

QUESTION HANGS ON INDUSTRIAL SYSTEM

But returning to the question. How shall we deal with congestion of population? The answer to this vital question is not to be stated in simple terms. The most that may reasonably be hoped for is a clue to the riddle. This much may be stated: there is not the slightest hope of changing the drift of

population which has been running toward industrial centers, until the modern industrial system shall have begun to move in the direction of decentralization.

Precisely what changes may take place in the future in the working of our intricate financial industrial system, no one may predict with any degree of certainty: but it is asserted that no changes in the direction of a decentralization of industry will take effect which are not an outgrowth of the enterprise itself. That is to say, no political action can possibly be effective, since to be effective in bringing about the redistribution of population, the action would have to make its appeal as a desirable business proposition. At the present juncture, it can not be stated in such terms.

But to bring this argument into more concrete form, we may say that congestion of population is a consequence of the concentration of industry. Of course, there are other factors which operate in this direction, but by and large, it is the sweep of modern business enterprise, operating in control of the machine process which sets in motion and sustains the drift of population in the modern world.

Hence, *given the present conditions*, economic and industrial, under which production is carried on, it would appear that the only way to bring about a redistribution of population would be to bring about an equalization of investment opportunity. That is to say, to equalize the earnings upon investment.

Concentration of industry is consequent upon concentration of economic power through the agency of loan credit and competition in terms of price. Whether or not we may deal with the problem of congestion of population depends in final analysis upon whether or not we can effect a redistribution of economic power. Again it looks as if our only avenue of approach was the disallowance of investment for a profit.

TOPIC V

SECOND ARGUMENT

By JOHN J. MURPHY

BEGINNINGS OF CONGESTION IN EUROPE

Very little prospect of relief from congestion is held out by either of my opponents' proposals. As a matter of fact, modern congestion is due to easily recognized causes. The situation in European cities and in American cities is quite distinct. In Europe, most cities hark back to an early time when defense was a chief consideration; the circular shape of most cities there witnesses to the desire of their builders to enclose the largest possible area within the smallest defensible boundary. People preferred living crowded within the walls to dying with plenty of space outside.

CAUSES IN AMERICA

Few, if any, American cities were designed with a view to military defense. They were built for business purposes fortuitously, of course, for in their beginning no one could tell for certain where a city would be, or how it would develop. Hence they

run to the rectangular. They afford more of the artificial amenities of life than do rural districts and the diversified occupations which they house offer possibilities of earning a livelihood to all sorts of people.

Consequently, the progressive-minded youth in each generation abandon the ancestral homestead to find jobs in cities, and those who succeed go back and impress the stay-at-homes with their clothes and their airs of easy living. As it is the quick-witted and enterprising who are apt to go, the stay-at-home population falls more and more below normal in its standards.

INCREASING VALUE OF LAND

The result of this crowding into cities and towns is increase in the price of land and those fortunate enough to own farms in or near towns advertise to all the country around the advantages of their town as a place of residence, with the result that prices rise and more advertising is done. Thus a surplus population is formed and large scale manufacturing is developed which depends for its success on abundant, cheap labor.

VALUES AND CORNS

My contention is that this condition can be held within reasonable limits absorbing land values in taxes as fast as they arise, so that no interest shall arise in speculating in land. It must be clear to

all that as land rises in value, population must become more dense in order to pay the rents which such values necessitate. If we keep down the cause, the effect will take care of itself. The evil has been of slow growth, the cure must be slow, if it is to be effected without catastrophe. Corns are slowly acquired; cutting them, though necessary at times, seems to encourage rather than discourage them; proper footwear, or going barefoot seems the only permanent way to eliminate them. There are many analogies between social evils and corns which reformers would do well to study, and from which they might derive wisdom.

TOPIC V

SECOND ARGUMENT

BY EDITH ELMER WOOD

INDIVIDUALISM HAS NO REMEDY TO OFFER

I want to call the reader's attention to the fact that although Mr. Murphy admits that "The evil (of congestion) menaces the very life of our nation and civilization," he offers absolutely no remedy for this critical condition. So impotent is the philosophy of individualism to cure the ills it has itself produced. The best he can do is to hope that blind forces which have so far set towards congestion, will turn around by and by and set in the opposite direction. "The probabilities seem to be," he tells us optimistically, "that the *logic of events* will take care of the congestion problem by forcing the masses into the primitive extractive industries." Does he mean when so much of the rural population has come to the cities that the remnant can't raise enough food to go around? That point is not reached yet, and when it is, will only force back enough people to raise the necessary food. So it affords no hope of lessening the degree of congestion we now have.

THE UNEARNED INCREMENT

Mr. Murphy does say one other thing: "If the people or their representatives could understand or devise a method of applying to public use the solid increment due to such improvement, the problem would soon be solved." This can only be a veiled allusion to Mr. Murphy's well-known adherence to the single tax doctrine, which he evidently regards as beyond the intelligence of the people and their representatives. Probably what keeps him from advancing it openly is the consciousness of its inconsistency with the doctrine of individualism which he is supporting.

CONGESTION MUST WAIT FOR INDUSTRIAL REVOLUTION

"There is not the slightest hope of changing the drift of population which has been running towards industrial centers, until the modern industrial system shall have begun to move in the direction of decentralization." I hoped for a moment that Mr. Ackerman had discerned Mr. Murphy's "logic of events," and that between the two I might arrive at an idea of what that beneficent thing was. But, no—Mr. Ackerman's last words are: "It looks as if our only avenue of approach was the disallowance of investment for a profit," so evidently we must not expect to lessen congestion till we have got rid of our existing civilization.

BUT WILL THAT HELP?

Just here a painful thought obtrudes itself. How do we know that doing away with the profit system will undo congestion? Why should it? If it wasn't that such a lot of people actually *like* cities, actually prefer them to small towns and country—because of movies, of shop windows, of the very prevalence of their fellow beings—there wouldn't be much congestion to cure. There are jobs, wages, food, houses, waiting in the country, and people won't go to them. Why should they do so after Mr. Ackerman's revolution? And think how discouraging it would be if we amputated a finger to cure a blister, and then found the blister was on another finger, after all!

TOPIC V

SECOND ARGUMENT

BY FREDERICK L. ACKERMAN

MR. MURPHY SUGGESTS PATIENCE

If I get it, Mr. Murphy's argument may be summarized by saying that if we are very, very patient, the present financial system will ultimately so operate as to remove all cause for worry. He says, in effect "Leave it to George."

Mr. Murphy presumes. He presumes that "we have passed the point where concentration of population produces economy of effort and service and that henceforth additions to population may be a *financial loss rather than a gain.*" Now look! In the very next paragraph he says that the "forward-to-the-city-movement" is now running ahead of the "back-to-the-land sentiment."

What does this mean? He states two conditions of fact: The present condition as regards congestion is to be rated as a losing game economically; but we still prefer to play the game. By bringing these two statements together he makes it quite plain to anyone that *economic ends* and *financial exigencies* are

not to be viewed as one and the same thing—which is precisely what I am trying very hard to make clear.

HOW LONG MUST WE WAIT?

It may not be good from the standpoint of economics to have congestion of population and slums and abandoned farms—but it is good for business—at least so much is to be gathered from the facts of the case as presented by Mr. Murphy. It is true, congestion may become so great as to become *financially* unprofitable to the individual who secures his profit out of stimulating congestion. But how long will we wait? How much more congestion must we stand? I think I see a reason here for suggesting a disallowance of investment for a profit.

Mr. Murphy says: “Nothing but some process *like* that which drew the population together can disintegrate it.” How about suggesting a new process *unlike* that which drew the population together—if we are to redistribute population? If concentration of population was a consequence of concentration of economic power, how about trying redistribution of economic power as a means to this end?

I GROW SUSPICIOUS

Mrs. Wood’s argument completely ignores the causes which have operated to make people act as they do in the modern world. “Prevention by education.” I grow suspicious. For is it not true that

at the present moment forces are being marshaled to "educate" everybody into believing that our present financial business system is to be viewed as the solid foundation of our national life? Is it not also true that it is this complex mechanism which has made for the present condition of chaos.

"Cheap transportation to open up suburban areas to the city dwellers" is not much of a "solution" if one happens to look upon such transportation as largely waste. And town planning is set down by Mrs. Wood as a way out. We have all been fooled by this idea at some time in our study of the question. Town planning is a technique. It is not a force. The effect of concentration of economic power is completely ignored by Mrs. Wood and Mr. Murphy. So I ask: has this no bearing upon congestion of population? Is it not the principal factor to be dealt with?

TOPIC V

THIRD ARGUMENT

BY JOHN J. MURPHY

INDIVIDUALISM MISUNDERSTOOD

If individualism were responsible for bringing the world to its present pass, it would have few adherents, but alas, like Christianity and Democracy, it has had more discussion than application, and less comprehension than either. Mrs. Wood does not understand it, for she deems it to be inconsistent with the single tax philosophy which is its highest and most logical expression. Every single taxer who understands his belief avows himself an individualist. He and his economic ancestors have been trying for generations to keep Government from muddling things with which it has no proper concern, but socialistically minded people have always said, "there ought to be a law" to do this, that and the other.

BOGUS INDIVIDUALISTS

Of course, there are pseudo-individualists who, having possession themselves of great privileges con-

ferred on them by government, say, "Now, we want the Government to keep its hands off and not interfere." Such were most of the men of the Manchester school, who usurped, without deserving, the name of individualists. Clearly, the man who accepts favors from Government has no standing when he protests against its interference.

URGING FACTS, NOT DOCTRINES

I preferred, in the discussion of the question of more housing, to avoid the appearance of seeming to urge any special "isms," because many people have prejudices which close their minds to consideration of suggestions, when they are labeled socialistic, syndicalist, single tax. The great mass of people who must settle public questions cannot take enough time from earning a living to really learn what these various philosophies involve. The question submitted for their solution must be practical and definite.

PATIENCE NECESSARY TO ANY WISE SOLUTION

Mr. Ackerman accuses me of suggesting patience in dealing with congestion. I admit it. It is necessary in dealing with any economic difficulty. The centripetal force of population has been intensifying in every decade since we took our first census. All efforts to modify it have so far made no impression on its tightening coils. Great industries have moved out of cities and taken employees with them, but with little effect on intense crowding. No artificial

plan can check this cancerous growth. It must be attacked from the rural end. As we want more houses, we must have more farms if we are not to starve, and incidentally starve the world, which depends on us for so much of its food.

TOPIC V

THIRD ARGUMENT

BY EDITH ELMER WOOD

SAME OLD CONGESTION, MR. MURPHY!

Mr. Murphy thinks that congestion in European and American cities is quite distinct; that it is due in Europe to medieval crowding within walled towns; and in America to the attraction which the city has for the progressive minded rural youth, and to the efforts of land owners to bring more people together to buy lots, manufacturing growing up as a *result* of surplus population.

So far as this single-tax explanation of congestion is true of the United States, it is equally true of Europe. There, as here, the over-rapid growth of cities followed the development of machinery and large-scale manufacturing, was accompanied by speculation in land, and was fed by the cities' lure for the young people.

Living conditions within the walls of medieval towns were undoubtedly bad, but the walls have nowise halted the spread of modern cities, and congestion is as bad without as within them. The once-

walled city of London is a very small area in the heart of the great metropolis almost wholly given over to business. Note also Paris and Berlin. Glasgow and Dublin, where congestion is greatest in the United Kingdom, never had any walls, so far as I recall, certainly not since they have been large cities. The same holds for Liverpool, Birmingham, Manchester and many more.

WHAT IS THE MATTER WITH EDUCATION?

Why is Mr. Ackerman suspicious of educational methods? How, if not by educational methods, does he intend to bring about the introduction of his new industrial system?

TOPIC V

THIRD ARGUMENT

BY FREDERICK L. ACKERMAN

In Mr. Murphy's argument, he gives some emphasis to my contention that it is our system of investment for profit (in this case confined to land) which so operates as to result in the development of urban centers. It appears, at least so far as land is concerned that we are in agreement. Just why Mr. Murphy should draw the line at land in his consideration of this matter of unearned increment—the getting of something for nothing—is not very clear. I can not see, if it is a valid argument in the case of land, why it is not quite as valid in the case of other investments. So far as Mr. Murphy's argument is concerned, it seems to me that my main contention still stands.

WHAT MOST CITIES PRODUCE

It is clearly evident that Mrs. Wood does not think that the modern industrial system (financial-business in control of industry) is in complete control of affairs in general. She assumes that the

state (political government) may do as it pleases regardless of this system. I do not; so therefore I repeat that a redistribution of population is not possible until the modern industrial system shall have begun to move toward decentralization.

I have taken for granted that a *checking* of the flow of population into urban centers is desirable. I say that a *redistribution* of population is desirable. Mrs. Wood wants to know why I think the disallowance of profit upon investment would undo congestion. Well! The urban center lives very largely upon the profits derived from the production of waste and socially useless commodities. Its activities consist very largely in socially useless services (so-called). It is busily engaged in a great variety of enterprises devoted to exploitation of one sort and another. Eliminate the system of investment for a profit and the system of price competition and events would soon move in the direction of a redistribution of population which, by the way, is treated by Mrs. Wood in her last paragraph as if it were not so very desirable after all.

TOPIC VI

**HOW CAN LAND, LABOR AND MATERIALS BE
MADE AVAILABLE?**

TOPIC VI

FIRST ARGUMENT

BY JOHN J. MURPHY

1. I favor the taxation of land values, adequate wages based on cost of living, and recognition of permanent wage scales, so that contractors may operate without fear of loss.
2. Mrs. Wood seems but mildly interested in this topic, for if her panacea, direct state or city action, can be adopted, all such practical difficulties will fade away like mists before the sun.
3. As in the millennium all the problems which this topic confronts will have disappeared, Mr. Ackerman is not interested in finding a way out, at present.

LAND SPECULATION THE ENEMY

Naturally this proposition divides itself into three parts:

As to Land: The quantity is ample and fixed, but the supply is not always available, due to the expectation of owners that at a future time their land may be sold at a profit. This mental attitude exists most

strongly in those parts of the world where the unused land is assessed at a small fraction of its selling value, or not taxed. In such places it costs little to hold land idle or inadequately improved, and the chance of a windfall is always there. It resembles a lottery ticket before the prizes are drawn. It gives its owner a sense of being in the game.

HOW LAND MIGHT BE CHEAPENED

This attitude operates powerfully against the use of land around cities and lies at the root of the land booms, which like cyclones, occasionally ravage the country. If the policy were adopted of taxing valuable land in such a way that its owner would receive only the full value of his own expenditure and labor upon it, or on account of it, he would not be able to capitalize the so-called unearned increment, and so land for home-building would be everywhere easier to get, at prices which would be within the reach of all.

LABOR TROUBLES

As to Labor: There seems to be no doubt that the strained relations of capitalists and workmen are now placing serious obstacles in the way of producing houses. That there are faults on both sides is not open to serious dispute. Labor organizations are often arbitrary and insistent on wasteful methods, whereas employers' organizations have shown themselves inhuman and inconsiderate when

they have controlled the situation. The animosity between the opposing forces is one of the most menacing of our national problems.

NEED FOR CONCILIATION

The only solution of the difficulty lies in conciliation. Neither side can operate profitably without the other, and while either can ruin the other, neither can be saved without the other. The real enemy of the true capitalist and the true laborer is the man who is legally privileged to extract from both products of their joint labor, without giving any return.

Employers who do not realize that in spite of nominal high wages, the average workman is not better off than before the war, stand in the way of a real adjustment. Similarly, employees must be made to understand that unless binding agreements can be entered into concerning the normal construction periods of buildings, contractors cannot make prices and much work will be held up.

RAILROAD PREFERENCE FOR BUILDING MATERIALS

As to Materials: The causes of the shortage and high prices of building materials are numerous. Prices are from four to five times what they were in the pre-war period. The most important cause of the shortage is probably lack of adequate transportation. The transportation systems of the United States and Canada are insufficient to transport all the traffic offered. Other classes of freight are

more profitable to handle, while the ratio of freight paid to the total cost of the article is higher on building materials than on commodities in general. Therefore increase of freight charges on building materials enhances the cost of construction greatly. Some plan should be devised whereby the railroads may be compelled to give preference to building material over other articles not so essential.

MONOPOLY PRICES

Another and important contributing factor to the high price of materials is the close combination which seems to exist among the manufacturers of such articles. It is not easy to suggest how this can be broken down at the present time. The attempts of the Government to depress combinations in restraint of trade are merely farcical. The public has not benefited in the least by attempts to disintegrate such combinations. Under the new forms they have gone on just as before. It seems tolerably certain, however, that if the opportunities for better transportation were provided, more materials would be sold, and as the most profitable prices at which goods can be sold is somewhat below the maximum, prices would tend to recede, when greater freedom of movement is secured.

ECONOMY IN DESIGN

A third feature which may be considered here, is the importance of economy in design—that is,

making material go farther in housing. There has been in the past a good deal of wasteful designing which employs material in the enclosure of space not economically utilized. Skillful planning could accomplish much in the improvement of this condition.

As to the labor costs in the production of building materials there is no question that they have risen considerably. It is usually the lowest grade of unskilled labor which is employed in this class of production, and the general labor shortage has caused ingenious people to devise plans whereby unskilled labor can be utilized for the production of articles able to pay higher wages. It has therefore been very difficult to keep up the supply of labor in these occupations.

TOPIC VI**FIRST ARGUMENT**

BY EDITH ELMER WOOD

1. I favor (1) taxing idle land into use, (2) dodging labor troubles by adopting Labor's housing programme, (3) procuring materials by state action if necessary.
2. Mr. Murphy agrees with me on land, has little to offer on labor, and is mistaken in his data on materials.
3. Mr. Ackerman is still among the clouds.

LAND: BY TAXATION AND CITY OWNERSHIP

There is, of course, no real shortage of land. Even such congested cities as Boston and New York have enough land within their borders to accommodate their whole population in two-story, single-family houses surrounded by gardens. It is the tremendous value of the land that makes such use impossible. The problem is to make the land available—to keep down its cost, to force it into use, to prevent its being cornered by speculators.

The measures advocated in connection with taxation and congestion are the ones that will help here. Taxing idle land as heavily as improved land acts as a strong deterrent to the man who holds it for

a rise in price. The ownership of land by the city offers competition which is death to exploitation. The two measures together form a very strong combination. The development, in addition, of cheap transportation to new outlying districts bought by the city at farm prices, would offer a degree of control that would go a long way towards solving the land problem.

The land trouble has been with us for a long time. It affects different communities very unevenly, but, in general, under the *laissez-faire* system, seems to be the price paid for prosperity.

Communities of the future may, if they will, avoid the whole trouble and secure great benefits by exercising the foresight necessary to follow the simple common-sense plan of the Committee on New Industrial Towns.¹ Similar results are obtained by the English garden city and co-partnership methods.

LABOR AND MATERIALS. THE WHOLE INDUSTRIAL PROBLEM INVOLVED

The present shortage of labor and of building materials, in so far as it dates from the war, should, by now, have disappeared. The government embargo on private building ended long ago. The chaotic condition of the labor market, in the building trades and in those trades which supply building materials persist as part of the general industrial ferment—the growing pains of post-bellum readjustment.

We must trust to the good temper and basic com-

mon sense of employers and wage earners to arrive at a *modus vivendi*. The sooner employers learn that ante-bellum wage scales will never be restored, the better for all concerned. The sooner they learn that what labor wants is not simply higher wages, which are too easily nullified by rising prices, but a share of the profits of production, the sooner they will make the necessary readjustment. For readjustment is necessary. On the other hand, clear-sighted labor men must show their fellows the very definite limits that exist both to wages and to labor's share of profits. There is no way of making 2+2 equal 5. Where costs are too high, the public ceases to buy the product. Where too large a share of profit is claimed by labor, no one will take the risk of investment and management.

HOW TO SECURE THE CO-OPERATION OF ORGANIZED LABOR

The housing policy of the American Federation of Labor offers a practical argument of no little force in favor of state action, which, so far as we know, has been entirely overlooked. For the simple fact is that the adoption of a state action policy would probably eliminate the labor problem, which is one of the biggest obstacles to the resumption of private building.

Here is the latest statement of labor's housing programme:

"The Government should, therefore, inaugurate a plan to build model homes and establish a system

of credits whereby the workers may borrow money at a low rate of interest and under favorable terms to build their own homes. Credit should also be extended to voluntary non-profit making housing and joint tenancy associations. States and municipalities should be freed from the restrictions preventing their undertaking proper housing projects and should be permitted to engage in other necessary enterprises relating thereto.”²

Isn’t this to all intents and purposes, the programme we have been advocating? Isn’t it reasonable to suppose that organized labor will try very hard to make its own programme a success? Aren’t the leaders anxious to prove its practicability? Isn’t it altogether probable that a municipal housing scheme would be put through with entire smoothness where a commercial enterprise would encounter continuous rough sledding?

POSSIBLE GOVERNMENT ACTION IN REGARD TO MATERIALS

Did insuperable difficulties in the way of obtaining materials exist, it would always be possible to push state action a stage farther back and control their production, at least in so far as it was needful in order to carry out state enterprises. We do not believe, however, that this would be necessary. Certainly there is no reason at present for doing more than holding such a possibility in reserve.

¹ See Publications of Committee on New Industrial Towns, Richard S. Childs, Secretary, 381 Fourth Ave., New York.

² American Federation of Labor Reconstruction Program, p.12.

TOPIC VI

FIRST ARGUMENT

By FREDERICK L. ACKERMAN

1. Curtailing production—everybody doing it. Nobody to blame. Plenty of land, labor and materials available. Use handicapped by financial business system. Cannot be made sufficiently available until system of co-operative efforts succeeds system of price competition.
2. Mrs. Wood trusts—and ignores the vital problem of production and distribution.
3. Mr. Murphy discovers the enemy of the people. Provides me with a good argument. Fails to offer a remedy.

What is here said is not stated with a view of attaching blame to any one or to any group of persons. The acts referred to are one and all in the nature of perfectly natural and to-be-expected reactions to our surrounding economic conditions—entirely legitimate—a necessary part of our scheme of “doing things.” Under the workings of the modern industrial system, land, labor, and materials serve as the material means by which we carry

on business for a profit in terms of price. Carrying on business under conditions of price competition is very largely a matter of controlling output—exercising a perfectly legitimate sabotage over the processes of production. This well known fact is here recalled with a view of stating that—how to do away with this systematic sabotage of production—is what underlies the problem of making land, labor and materials sufficiently available for housing needs. Expanding this question, the problem may be restated as follows:

- (a) How may we prevent land from being held out of the market in order to secure a higher price?
- (b) How may we free the processes (technological) of production from the control of a system of price competition, that is to say, how may we organize production so that the purpose shall be the production of a sufficient supply of needed goods instead of merely enough goods to keep the price up?
- (c) How may we free labor from trade union restrictions which look toward a curtailment of production for the same reasons as noted in the cases above?

PLENTY OF LAND, LABOR AND MATERIALS

This looks like a large order. It is; the question constitutes the entire problem. There is plenty of land available. Nearly every one knows, and the

experience of the war both here and in Europe demonstrates conclusively that, if our technological knowledge could be applied to the operation of existing plants and equipment we could produce all that we need of everything. Nearly every one knows that there is plenty of labor power available—if it could be used and brought to bear directly upon the production of useful commodities. These conditions are sufficiently notorious to warrant no further talk about it.

USE OF THESE HANDICAPPED BY SYSTEM

Our highly rated system of production is really a system of cross purposes of self-imposed restrictions upon output—of highly organized and blameless sabotage. In the face of a full knowledge of these conditions, we hope against hope that somehow, out of a readjustment of loan credit arrangements and various means of make-believe production, we may come by an adequate supply of happy homes in wholesome surroundings. To hope for such a result under the triple handicap imposed upon the processes (technological) of production is very much like hoping that a one-legged blind man dragging a ball and chain might win a hurdle race.

The long accumulated house shortage—the present housing famine—is but one of the symptoms that the present economic industrial system is by degrees breaking down. This is plain to all but the willfully blind. But it is not generally admitted that the

cause of this condition lies in the very nature of the system itself. Must we go on with the dance until the system of investment for profit and price competition shall have spent itself?

SOME CHANGES SUGGESTED

The gist of what is here offered on this head, *when formulated in terms of the present economic industrial system*, may be stated as follows:

1. To make land sufficiently available, disallow speculation in land.
2. To make materials sufficiently available, transfer the control over the industrial processes from the field of finance to that of technology. This may be accomplished by a disallowance of the capitalization of prospective earnings and the disallowance of investment for profit.
3. Labor will be made sufficiently available as a consequence of accomplishing the above; that is to say, labor could not then be employed in the production of useless commodities nor in the production of waste nor in canceling its own effort toward the production of vitally needed goods.

TOPIC VI

SECOND ARGUMENT

By JOHN J. MURPHY

MR. ACKERMAN CONJURES A VISION

On this topic Mr. Ackerman gives us the first glimpse of his philosophy, and very interesting it is, but he still leaves us in doubt as to the way in which to get it. We have his water-color sketch of the social structure that is to be, but where are his plan and specifications? Between us and the civilization which he paints stretches a chasm as broad as the Amazon, and there is no sign of a bridge, a tunnel or even a ferry boat. It is quite true that specialization in industry, which promises to elevate man by leaving him time enough to cultivate his higher powers is turning him into an automaton, which is spending all its energy in producing things that it does not want to exchange for the products of other automata making things they do not want. Some of his questions I can answer:

TAX LAND VALUES

(a) We can prevent land from being held out of the market for a higher price by carrying a little

further the policy already pursued by so many of our large cities of absorbing land rent in taxation. No one will hold land for a rise if he knows that he will not be permitted to appropriate the increment.

CAN MONOPOLY BE BROKEN

(b) This question can be simplified into the following: How can the grip of monopoly on production be broken? If the sources of supply of all needful things, which are now obviously controlled to an extent of which few are aware, were compelled to pay annually to the states and the nation the full value of the special privileges they enjoy, their power would soon be controlled, and they would either disappear or become the useful servants of the community. Of course, the space does not permit the development of this argument, but I firmly believe the taxing power of the government can accomplish the needed reforms without revolution and in orderly fashion.

MODERN SUPER-MONSTERS

(c) The laborer will be freed from labor union restriction when society puts him in a position where he can earn his livelihood without having to submit to the caprices of an employer. The position in that respect is growing better than it was, but a great many people do not like it. The workman obeys the labor union because it is the only protection that he knows from the power of the employer, but

he would rather be free. But he can no more be free, while the gigantic monsters, which we have legally created, walk the earth, than could his cave-abiding forebears be in the days of the megatherium and the brontosaurus. Nature was good enough to remove these excrescences from the earth before our day, but we have tried our hand at replacing them and we have measurably succeeded.

**" IT TOUCHES NOTHING WHICH IT DOES NOT
DEFORM "**

I have little criticism to offer of Mrs. Wood's contribution on this subject, except that she insists on injecting Government interference in at the end of her suggestions. Government in the form of the judge, the policeman, the tax-collector and possibly the soldier we must have, but of its performance in other fields the best summary and characterization is, "It touches nothing that it does not deform."

TOPIC VI .

SECOND ARGUMENT

BY EDITH ELMER WOOD

WHERE WE AGREE

Taking up land first, I notice that Mr. Murphy agrees with me in advising that it be taxed in such a manner that the owner "would not be able to capitalize the so-called unearned increment."

As for labor, he has the same old remedy that I offered myself—good sense and mutual concessions. It is perfectly good advice, if any one would only take it!

THE FACTS ARE BAD ENOUGH

Coming to materials, I must question his figures when he says they are four or five times what they were in the pre-war period. He can doubtless point to some particular commodity, like plate glass or linseed oil, which has sky-rocketed to that extent, but in general 100 per cent would cover the increase, and in many places it is less. The Monthly Labor Review issued by the U. S. Bureau of Labor Statistics, in the February, 1920, number, contains a

comparison of the cost of a typical 6-room American home worked out for 1913 and for July, 1919. There is a labor increase of 65 per cent and an increase in cost of materials of 71 per cent. There has probably been a greater rise since July, 1919, than from 1913 to 1914, but not enough to carry us within speaking distance of the Commissioner's figures.³

CONSISTENT INDIVIDUALISM IMPOSSIBLE

I have no quarrel with Mr. Murphy's plan for compelling the railroads to give priority to building materials over everything except food and coal. It might be a good idea for speeding construction during the present emergency. But it seems curious for an individualist—an advocate of *laissez-faire*—to seek his remedies in additional government interference. As fast as he lifts one brake he applies another. It only goes to show how impossible it is to run our present-day world on consistently individualistic principles.

THREE EXCELLENT QUESTIONS

If Mr. Ackerman were as good at answering questions as he is at asking them, he would be entitled to high rank among the benefactors of the human race. Here are his questions:

1. How may we prevent land from being held out of the market in order to secure a higher price?

2. How may we organize production so that the purpose shall be the production of a sufficient supply of needed goods instead of merely enough goods to keep the prices up?
3. How may we free labor from trade union restrictions which look toward a curtailment of production?

ANSWERS FAIL TO ILLUMINATE

The answers are somewhat disappointing. They are:

1. Disallow speculation in land.
2. Transfer the control over the industrial processes from the field of finance to that of technology.
3. Will follow in consequence of 2.

I suspect that by disallowing speculation in land, Mr. Ackerman means much the same as Mr. Murphy and I do, by our somewhat more definite language. As for the rest, it is obviously the new industrial system in a different verbal dress. And the rather important question of how it is to be brought about is still completely ignored.

* See also Arthur Gleason writing in *The Nation*, April 17, 1920.

TOPIC VI

SECOND ARGUMENT

BY FREDERICK L. ACKERMAN

WHY AUGMENT CONGESTION?

Here is plenty of grist to grind. Looks like the entire problem.

Land—plenty of it—admitted. Remedies—Mrs. Wood: taxing idle land—municipal ownership of outlying districts—cheap transportation. Mr. Murphy: a policy of taxing *valuable land*. Both suggestions are formulated around the idea of constantly expanding cities; their argument on this head run in the direction of the sweep of population into urban centers. Why augment this drift? Mrs. Wood says that making labor and materials available constitute “the whole industrial problem.” Right-O. “Chaotic conditions . . . growing pains of post-bellum readjustments.” I do not so view it. Looks as if system of make-believe production was beginning to crack.

MRS. WOOD PINS HER FAITH

In reference to the relation between employers and wage earners, Mrs. Wood’s use of “we must

trust, etc.,” suggests the opening address of an industrial conference in which all grounds for a difference of opinion had been carefully eliminated in advance of the discussions.

The facts of the case, as regards industrial relations, are not such as to warrant this summary and optimistic dismissal of this matter. Events are not moving in that direction; nor are there signs of such a movement. Disposing of the labor problem by state action in housing would certainly be an easy way of disposing of it. I suspect that there are conditions which make for industrial unrest which would still hang 'round and annoy us.

MR. MURPHY BAFFLES ME

I am baffled. Mr. Murphy says: “The real enemy of the *true capitalist* and the *true laborer* is the man, who is *legally privileged to extract* from the products of both the product of their joint labor without giving any return.”

THE NEW WHO'S WHO

I ask: Who is the “*true capitalist*”—who is the “*true laborer*”? Why is any one “*legally privileged to extract . . . without giving any return*”? I have an idea: I think that Mr. Murphy has put his finger on something—a sore spot—a very sore spot; and the spot is a very large spot. It covers the whole body of the financial-business—industrial system so to speak. I suspect that he has said what I have

been trying to say. So I ask a question or two; who is this real enemy? what does he look like? And in this connection, what is investment for a profit and the capitalization of prospective income if it is not a *legal* way of getting something for nothing?

Mr. Murphy would provide a sufficient quantity of material for the building of homes by differential freight rates upon materials for certain buildings, food and coal. Mr. Murphy, are you not interfering, tampering with the laws of supply and demand? Beware!

I RETURN TO MY ONE-FINGER EXERCISE

But again I return to my one-finger exercise. Why should our present financial industrial system be maintained without change? We know that it can only operate when it keeps prices up through holding production down. What chance is there of making labor and materials available by schemes of taxation, transportation, etc., etc., when the whole financial business system can only be rated successful (in terms of price, which is the only way business rates business) when it so operates as to produce less than the actual needs?

TOPIC VI

THIRD ARGUMENT

BY JOHN J. MURPHY

GOVERNMENT SHOULD REPAIR THE DAMAGE CAUSED BY ITS OWN ACTION

There is apparent agreement among us on the subject of land and labor.

I can point to many important materials which have advanced as much as I said in my original statement. As important an article as brick, which sold before the war for \$6.00 per thousand, alongside the dock, is now up to \$30 per thousand. Mrs. Wood reproaches me with inconsistencies, because I demand that Government, upon which she leans so heavily to remedy all our ills, shall repair some of the derangement which it created before and during the war.

NO INCONSISTENCIES IN URGING GOVERNMENT OWNERSHIP OF RAILROADS AS A PART OF AN INDIVIDUALIST PROGRAMME

There is no inconsistency in an individualist favoring railroad regulation, nationalization or operation. All that he demands is that the Government shall

perform public functions and not demoralize private activities by unskillful and often harmful interference. As both Mrs. Wood and Mr. Ackerman stress this question, I may say that, assuming a situation in which transportation facilities have not kept up with public need, it is entirely justifiable to adjust existing facilities to the most pressing public needs. One can never "tamper with the law of supply and demand." It can be obstructed, but always with grave danger to the society that undertakes it.

TOPIC VI

THIRD ARGUMENT

BY EDITH ELMER WOOD

IS GOVERNMENT ONLY A NECESSARY EVIL?

Mr. Murphy has very clearly formulated the individualist's distrust of Government in his closing sentence: "Government in the form of the judge, the policeman, the tax collector and possibly the soldier, we must have, but of its performance in other fields, the best summary and characterization is: 'It touches nothing that it does not deform.' " Yet when talking of municipal ownership, he said water, light and transportation came within its proper field, though they are clearly quite beyond the province of the policeman and the tax collector. And he wants the government to compel national banks to make long-time housing loans. And what will he say of the public schools, which some of us regard as one of our best American achievements? Are our children "deformed by their touch?"

I don't blame him in the least for not being consistent. As I have said on various occasions, the only really consistent individualist is the philosophic an-

archist who says all government is evil, and sticks to it.

THE HOUSING PROBLEM IS ALL I CONTRACTED
TO SOLVE THIS TRIP

I agree with Mr. Ackerman in having no very high opinion of my bromidic suggestion of mutual concessions to solve the labor problem. I don't think I could rightfully be called upon to solve anything so large, in a hundred words or so, incidental to discussing housing.

I suggested that union labor's interest in the success of municipal housing might help us to get houses in that way more quickly than in another. Mr. Ackerman surely did not think I meant to offer it as an adequate cure for labor unrest in general?

TOPIC VI

THIRD ARGUMENT

BY FREDERICK L. ACKERMAN

MR. MURPHY EXPLAINS OUR ACTIONS: MRS. WOOD WANTS SPECIFICATIONS

Mr. Murphy's second argument discloses that we are of a similar opinion with regard to how the modern financial industrial system makes us all act; apparently neither of us views our actions as of very much benefit to any one. I refer here particularly to his statement about the "automaton."

What to do about it is the question. Mr. Murphy proposes to absorb land rent and break monopoly by taxation. I can not harness up these two suggestions with his repeated demands for non-interference by Government, nor for his plea for free competition in terms of price and his readiness to fall back upon the "law of supply and demand."

THE SAME OLD CONFUSION

I suspect that Mr. Murphy is seeking to give utterance to that confused point of view which finds expression in our attempt to regulate railroads, etc. We hold so fast to our concept of property rights

that we render nugatory our attempts at control and regulation. There is no middle ground.

The economic necessities of the present require a revision of the institutions of rights and privilege. This involves a change in the law with respect to what constitutes property rights. Of course whether or not we shall come to view this matter in this light remains to be seen. Refusing to so view the matter will not make that which now seems necessary appear any the less so.

TIME NOT RIPE FOR COMPLETE SPECIFICATIONS

Mrs. Wood insists upon complete specifications for my industrial system; space does not permit. What I have in mind may be glimpsed by a study of the Building Trades Parliament in England. Not that the plans developed by this Parliament strike at the root of the whole matter; but in aiming at the elimination of the system of price competition and its consequent waste; and also in aiming to use labor continuously it may be said to move in the right direction; it is certainly worth studying.

Mrs. Wood continues to ignore the world of industry. Her argument therefore passes around the mass of the problem; what she proposes could have little or no bearing upon the situation.

All that I have attempted to demonstrate is that the housing problem is primarily a problem of production, and that its solution is not to be found through resort to some more loan credit manipulation.

TOPIC VII

WHAT ARE THE FIRST STEPS?

TOPIC VII

FIRST ARGUMENT

BY JOHN J. MURPHY

1. I favor the removal of all the obstacles which Government places in the way of house building. This can be done at once. All the other proposals involve years of delay.
2. Mrs. Wood would increase the number of commissions, boards, officials, etc., whose recommendations and reports merely obfuscate the public mind.
3. Mr. Ackerman's final word is, in substance, if you want a house, go and build one. This seems the only intelligible interpretation of building "for use and not for profit."

" TAKE OFF THE BRAKES "

If a motor car is laboring up a steep hill with a heavy load, and if the chauffeur should discover that he had forgotten to take off the brakes which he had applied previously while running down the steep slope, his first action would naturally be to remove

the obstacle to his further progress. This illustration fairly typifies our social situation at the present time. At every point where Government touches housing, it operates to discourage and repress it. Some restrictions in the form of requirements for light, ventilation, sanitation, are of course, necessary, and should not be diminished, even in the present crisis.

“ GET OUT OF MY LIGHT ”

The old Greek story of Diogenes and Alexander is applicable here. Alexander hearing of Diogenes, sent for him. The philosopher ignored the conqueror's invitation. Curious to see the man who dared ignore him, Alexander went to see him, and found him occupying his well-known tub. To the philosopher, still maintaining an attitude of complete indifference, Alexander said: “Is there anything I can do for you?” “Yes,” said Diogenes, “you can step aside, so the sun will shine on me.”

HOW GOVERNMENT OBSTRUCTS

Alexander is the government, and Diogenes is the public. Therefore, when we come to consider what are the first steps to be taken by the community in general, we must turn to Government, not for aid, but to demand that it get out of our way. The Federal Government raises building costs by keeping out foreign material, the competition of which, in normal times, would tend to reduce cost. By im-

posing taxes upon incomes derived from mortgages, it reduces the amount of capital likely to be invested in mortgages on buildings, which in turn, tends to repress the production of buildings. The State does its share in repression by collecting an income tax, which bears on incomes derived from mortgages, and by the small tax which it imposes on real estate, which includes buildings. But it is when we go to the city that we find the real lion in the path.

REAL ESTATE TAXATION

Cities raise the great mass of their revenues by taxation upon real estate. A great many of them assess property from eighty-five to one hundred per cent of its value, and in general, the larger the city the higher the percentage of assessment. In New York a sum equal to twenty-five per cent of the gross revenue from buildings is taken in taxation. These revenues could be raised in other ways, which would not militate against building construction, and whether we are prepared to adopt such a policy as a permanent feature of our political system or not, taxes on new buildings should be repealed to meet the present emergency. If Government remitted for a period of ten years all the taxes which now bear directly or indirectly upon dwellings, investment in that form of property would become highly desirable, instead of extremely dubious, as it is at the present time.

COMPETITION FOR CAPITAL

Capital is now being sought for many enterprises that can give excellent security and large dividends. It will not be drawn into housing, unless at least, as good inducements are offered.

Additional support is lent to this policy by the fact that in several states, in order to meet the emergency, rents are being restricted. The inevitable result of such restriction will of course be to discourage investment in building. Therefore, additional inducement must be offered. I lay stress upon this point to the exclusion of all others, because I have, for a couple of years, been in contact with the various proposals made to grapple with the emergency—appeals to wealthy philanthropists, to great business organizations to provide homes for their workmen, and such devices, and I can say with certainty that none of them has begun to solve the problem. So far as they go they help, but to such a small extent as to leave the main situation unaffected.

BUILDING SHOULD BE MADE A PREFERRED INVESTMENT

If we want adequate housing, we can only get it by offering such inducements as will make it a preferred investment, and we can only do that in one of two ways, by increasing rentals beyond the point which will be within the reach of the average citizen,

or by remitting the penalties which we now impose in the form of taxes on those who have temerity enough to build dwellings for occupancy by others.

SIMPLICITY THE KEYSTONE OF EFFICIENCY

Perhaps some will underestimate the importance of a proposal which is limited to a single policy when many and complex solutions are proposed. When David met Goliath, a single stone properly directed accomplished what more elaborate machinery might have failed to achieve. In Aesop's Fables there is told the story of the cat and the fox, comparing experiences as to the best way of escaping the hounds. The fox had many ingenuous stratagems by which he bluffed his pursuers; so far he had always escaped, but the future was not certain. The cat was only mildly interested. "True," said she, "I too have often been chased, but I always run up a tree, and then there's nothing to it." Simplicity is the key-stone of efficiency.

TOPIC VII**FIRST ARGUMENT**

BY EDITH ELMER WOOD

1. I offer as an immediate programme (1) the creation of national, state and local housing commissions, (2) amendment of state constitutions or passage of enabling acts to permit municipal housing, (3) Postal Savings loans and others.
2. Mr. Murphy's measures will produce only expensive houses.
3. Mr. Ackerman advocates only the adoption of a theory.

NATIONAL, STATE AND LOCAL HOUSING BOARDS

Perhaps the wisest first step in every state would be what has been recommended by the Governor of New York in a message to the legislature,—the establishment of state and local housing boards to serve as the machinery of administration, and at the same time the means of public education.¹ It would be well to make them housing and town planning boards. The success of a housing programme depends (1) on its own merits, (2) on the merits of those charged

with carrying it out, and (3) on the wide-spread and intelligent public opinion that supports it.

The Belgian housing law of 1889 provides for local housing boards, *comités de patronage*, reporting annually to a national commission. The unpaid members of these boards, reporting on local housing needs, watching over the enforcement of the sanitary laws, helping workmen to get housing loans and tax exemptions, disseminating housing information, have rendered an invaluable public service. France and Italy have adopted the system and Great Britain has adapted it.

Within our states, there is no reason why state and local housing boards should not bear to each other the same relation as state and local boards of health.

Nationally, the best thing we can do, probably, is to pass the Tinkham bill (H. R. 7014) to create a Housing Bureau in the Department of Labor. Its only function is to be a center of information, but even so, it will be of great value. There is also a bill introduced by Senator Kenyon, to establish a temporary commission to report on the best methods of providing credit for housing. This also is a stage which it is probably necessary to pass through.

CONSTITUTIONAL AMENDMENTS AND ENABLING ACTS

The foregoing measures are purely preliminary. And there are other preliminaries equally essential. In many states constitutional amendments will be necessary before we can have municipal housing. In

others, enabling acts will be sufficient. The ball, in either case, should be set rolling. In some states constitutional amendments will be necessary for the use of state credit.

POSTAL SAVINGS LOANS

The use of federal credit, fortunately, requires no constitutional amendment.

One source of credit has such extraordinary advantages that it stands out quite clearly as the first to be tapped. As far back as 1913 a measure was before Congress providing for housing loans from Postal Savings deposits. It should be revived and pushed through. This fund represents the savings of working men and women and should be used for their benefit instead of for that of the banks which now profit from their low interest rates. The government only pays the depositors 2 per cent interest. It could perfectly well lend part of the money to workingmen at 3 per cent for housing purposes and pay all expenses of administration with the difference. This is a much lower interest rate than could be provided in any other way at the present time.²

It is to be regretted that the fund in question is no larger—\$167,323,260 by the last report, June 30, 1919. Ten per cent of this—less than \$17,000,000—would not go very far in these days. Still, it would be worth while to open up home ownership even to 5,000 or 6,000 families. And quite likely it would be found safe to lend more than ten per cent.

AMENDMENT OF THE FEDERAL FARM LOAN ACT.
NATIONAL AND STATE HOUSING FUNDS¹

If the Federal Farm Loan Act were amended to include housing loans, a considerable amount of capital might be attracted at a 5 per cent rate. A federal housing fund, procured by bond issue at the present time could hardly charge less. It might possibly be floated at $4\frac{3}{4}$. State housing funds procured by bond issue would undoubtedly have to charge a higher rate of interest, which would vary substantially in different states. Wherever cheaper funds can be tapped, it should be done. Some states have insurance funds in connection with the Workmen's Compensation Act. A fair percentage of these funds should be invested in housing loans. The funds of the German Old Age and Invalidity Insurance Institutes are used very extensively for housing loans. There is no reason why savings banks should not be required to invest a certain proportion of their deposits in housing loans at a very small advance in interest rate on what they pay their depositors.

All these provisions should be carefully guarded so as to benefit those for whom they were intended—the lower-paid wage earners—and not add to the profits of the speculative builder.

¹ See also Report of the Housing Committee of the Reconstruction Commission of the State of New York, March 26, 1920.

² See *Housing of the Unskilled Wage Earner*, pp. 229, 266-7.

³ See *Housing of the Unskilled Wage Earner*, pp. 263-272.

TOPIC VII**FIRST ARGUMENT**

BY FREDERICK L. ACKERMAN

1. Eliminate system of price competition and organize production and distribution upon co-operative basis. Produce for use and not for profit. Relation of milk business to babies and housing.
2. Mrs. Wood advocates variety of measures of make believe production. Continues to ignore concentration of wealth as most important factor. Curtailment of production would continue as now.
3. Mr. Murphy also fails to deal with the all important factor—but he recognizes it and says so.

Stated in terms of the housing problem, the next step should seek to:

- (a) Turn the never ceasing flow of population from farm to industrial center back upon itself—or in less utopian terms, arrest the flow.
- (b) Arrest the tendencies within urban centers toward an ever increasing degree of congestion.

- (c) Provide adequate homes in adequate surroundings for all. The argument heretofore advanced has denied:
 - (1) The validity of the theory of subvention (e.g.) such as have been resorted to in Europe in an effort to affect the aims as above stated.
 - (2) That the aims as set forth are to be achieved through the workings of our present economic industrial system as it has thus far run its course in the United States.

The next step consists in making a decision as to which road we shall follow in extricating ourselves from the present muddled state of affairs. One leads toward Government subvention aimed at supporting the present economic industrial system; the other takes the direction of leading to the complete reorganization of that system. The choice here made is expressed by the latter.

We may now restate the problem in terms of industrial production. Our aims now appear as follows:

- (a) "To eliminate those practices of business competition which curtail the output or, by duplication of equipment and cancellation of effort, increase the labor and material cost of the product."
- (b) To arrest the diversion of labor and resources to useless or socially superfluous purposes.

To do away with the vast amount of waste and the canceled effort, is not a matter which may be approached by piece-meal process. If we approach this matter by way of "combination," operated in restraint of trade as must be the case under the present economic system, we quickly discover that it does not help in the least—besides such action is disallowed by the courts. Obviously this is not the way out of the muddle.

NEEDS VS. FINANCIAL EXPEDIENCY

We are seeking to effect industrial combination in the sole interest of technological needs instead of in the sole interests of financial expediency. That is to say, we are seeking to produce useful goods. Surely there can be no harm to any one in expressing such a desire. But this simple, obvious common sense statement of the case takes on a different color when it is stated in terms of action. For what this means is no less than the disallowance of investment for profit.

This proposal is not a "business proposition" true enough; for investment for a profit is what makes the wheels go round in business. But it is a production (technological) proposition; for it is investment for a profit which sets in motion the whole system of price competition which results in waste, sabotage and a cancellation of effort.

MODERN BUSINESS—A CURIOUS ACTIVITY

Thinking as we do in terms of "business" it is not likely that we will take kindly to this step proposed. But the absurdity of the situation in which we have placed ourselves with respect to producing what we must produce may be illustrated by a heading which appeared in a New York paper of recent date. The heading related to an order issued by a milk distributing corporation to the farmers to the effect that the production of milk should be curtailed in order to keep prices up. The heading read: "*Too much milk to sell but not enough to drink.*" This described accurately the situation both as regards the children in the city and the investment for a profit system which controls the industry. Everybody acted quite properly in this matter; under the system no blame is to be attached to any one.

But lifted out of its complicated financial setting of make believe production, this human interest incident, revealing the underlying principle upon which our modern industrial system goes at its task of providing for the needs of a people, should appeal to any one as a tragic enterprise. So it is.

In this incident, we have revealed the nature of the housing problem. For it is by this system of curtailment, restriction, cancellation of effort as regards the use of land, the production of materials, the rendering of services and the construction of buildings, that we come by congestion of population, inadequate houses and a shortage of houses. It is

not the State that has failed; it is modern business enterprise.

NOT ALTOGETHER A MATTER OF CHOICE

Whether the losses, wastes and cancellations of effort may be eliminated depends, for the time being, upon the attitude of those in control of business and financial interests towards the disallowance of investment for a profit. To decide against such a "next step" will not dispose of the matter. The step suggested will have to be taken, there is no doubt, for the present economic system is due to collapse under the constantly increasing weight of its own useless, non-productive motions and cancellations of effort.

TOPIC VII**SECOND ARGUMENT**

By JOHN J. MURPHY

EVOLUTION OR REVOLUTION

Candor compels the statement that under this head my opponents have offered little that is practical, and what they offer that is practical seems to be wrong. Mr. Ackerman indicts the social order once more and points to its wastefulness and inefficiency. Much of all that he says may be conceded without bringing us any nearer to the question how to get more houses. Clearly, we cannot wait until a majority of the people or their representatives come around to his way of thinking. We will have a solution or a revolution sooner.

ACQUISITION OF PROPERTY THE DOMINANT MOTIVE

Common experience teaches us the truth which lies at the basis of economics, that man seeks to satisfy his needs and desires with the least possible exertion. Such being the fact, he has always wanted to possess those things which will enable him to induce or compel others to minister to his needs. In a material

way, those things are what we call property. To the extent that this tendency in man causes him to serve others, in order that others may serve him, it is entirely conducive to the general well-being. Even when men compete with one another for the chance to serve each other in order that they may be served in return, no harm is done. But a new situation arises, when through social ignorance some men are permitted to become possessed of certain kinds of property which are not the product of any one's service, and are permitted to exact service from others without rendering equal service themselves. This condition lies at the base of the social evils of which Mr. Ackerman complains, but it is not going to be altered until men perceive it clearly.

THE THEORY WILL NOT WORK

As for Mrs. Wood's suggestions under this head, there is little to be said against them. There is little against her theory but its ill-success. Of the creation of new governmental machinery there is no end. It will soon be true to say (as we said of European peasants that each man worked with a soldier strapped on his back) that each of us will soon be working with an official seated on his shoulders. Even the red tape they will use will be a serious charge in this day of costly cotton. Europe has been trying to pay Paul without robbing Peter for generations, but the plan has not worked. America, without any housing commissions, has had better pop-

ular housing than Europe has ever dreamed of, except for the limited wealthy class. That is because we have had a measure of freedom here. If we look to government rather than to ourselves for solution of our problems we shall be in a bad way.

GOVERNMENT NOT CONSTRUCTIVE

The nature of government is preventive, not constructive; inhibitive, not directive; when it abandons its true function it is often merely destructive. It is forced to lay down general rules which work grave injustices in particular cases. It is never wiser than some man and is often more foolish than a multitude. Even its benevolence has disastrous results sometimes, which fairly parallel the well-known story of the elephant which had struck up an acquaintance with a setting hen. Noting one day that she had left her eggs, the kindly quadruped tried to replace her. The animal's motives were most creditable, but the results were deplorable, showing that something more than power and good intentions are necessary to achieve desirable results. Government is more often the expression of the collective ignorance and prejudice of the mass than of its collective wisdom. Whenever there is unsatisfied effective demand, supply rushes to meet it; if government will only stand aside, the two will meet.

TOPIC VII

SECOND ARGUMENT

BY EDITH ELMER WOOD

GOOD AS FAR AS THEY GO

We now have the programme of the individualists complete. Let us sum it up:

1. Take the tariff off building materials. This is, fairly enough, the lifting of a brake. It will be hard to lift, for not only will the business interests affected object strenuously, but American labor is pretty well persuaded that it needs a tariff wall to keep up wages.
2. Take the tax off of income from mortgages. This is another brake that may legitimately be lifted.
3. Tax vacant land into use. This is the application of a brake, not the removal of one.
4. Compel the railroads to grant priority to building materials—another brake *applied*.

With all these recommendations, I am reasonably in accord. I feel sure some would be helpful, and should be glad enough to see the others tested. But they are merely auxiliary. As a complete programme, they would be pitifully inadequate.

OFFERING TRIBUTE TO THE BARBARY PIRATES

So Mr. Murphy must feel, for he lays most emphasis on his utterly shocking proposal to subsidize landlords at the expense of other taxpayers. When discussing tax exemptions, his proposal was that new dwellings be tax-exempt for 10 or 12 years. His proposal, now, apparently, is to exempt *all* dwellings for 10 years. "These revenues could be raised in other ways," he says. How, for instance? And would the people to whom the burden was to be transferred be apt to accept it meekly?

Supply and demand are indeed moribund when their apostle has to galvanize them into an appearance of life with such batteries of state action! "Hands off, and the devil take the hindmost" was brutal, but at least, those who preached and practiced it did not use to ask for alms!

Mr. Murphy is afraid we shall underestimate the importance of his proposal. Not I, for one. I consider it as revolutionary as Mr. Ackerman's—and much more immoral.

THE MIND CURE FOR HOUSING TROUBLES

Mr. Ackerman says that "the next step" should do three things:

1. Arrest the flow of population from farm to industrial center.
2. Arrest the tendencies within urban centers toward an ever-increasing degree of congestion.

3. Provide adequate homes in adequate surroundings for all.

That would certainly be—only the vernacular is adequate to express our feelings—*some step!* The giant of our childhood, with his seven-leagued boots, was a piker in comparison. We should have been content to devote a life-time of steps to accomplishing half of that.

But our hopes of a miracle are short-lived, for we are told, a few lines farther along that “The next step *consists in a decision* as to which road we shall follow.” Evidently, so far as Mr. Ackerman is concerned, choosing a road is the same thing as arriving at the end of it. Happy man! Some of the rest of us see so many weary miles stretching between.

TOPIC VII**SECOND ARGUMENT**

By FREDERICK L. ACKERMAN

Mrs. Wood brings her argument to a well-organized conclusion and suggests the necessary legislative enactments and administrative machinery for carrying out the plans she has so ably presented. With what she has to say with respect to the organization of technical knowledge, of course I agree. Beyond that point I decline to follow.

WOULD NOT MAKE MUCH DIFFERENCE AFTER ALL

The reason may be simply stated. Generally speaking, her programme as regards action, is confined to the realm of finance. It is a shifting about of loan credit arrangements; but the only real change suggested in the processes through which the mass of houses are built, is the elimination (in the case of municipal housing) of the last-in-line speculator in land and the elimination (in some cases) of the speculative builder.

She says that the measures are "purely preliminary." But these preliminary measures are all

headed in a definite direction—and it is to be assumed that future measures will follow the same general course.

MRS. WOOD OVERLOOKS SOMETHING IMPORTANT

It is not that the several measures advocated would do any particular harm beyond supporting a financial-industrial system which is working at cross purposes and against us with respect to the aims expressed. It is rather that her entire programme is completely beside the point. It is staged entirely in the realm of make-believe-production. It does not touch the world of industry (technology—workmanship—industrial relations) at a single point. Now I contend that if what is spoken of as a remedy is to be found, that remedy will be in the nature of releasing industry from financial control. Industry is a matter of workmanship—technology and not a matter of finance—of profit upon investment.

Mr. Murphy again stresses the interference of Government as a cause. Possibly Government has interfered—that is somewhat beside the point when the problem is viewed from a sufficiently broad angle and with respect to a sufficient period of time.

WE REVIEW A LITTLE HISTORY

I now return to my introduction. I ask you to recall my summary reference to the drift of events which set in a century and a half ago, following the introduction of the machine process and the

emerging system of financial-business in control of industry. I ask you to also follow the drift of events through the last century as industrial urban centers came into being—congested—sordid—wretched—mostly slum. I ask you to recall how all this came about under the rule of natural rights, self help and free bargaining—free also from Governmental interference. I ask you to recall all this with a view of asking you finally:

What set all this a-going? What sucked people into industrial centers? What caused the slum? What caused the shortage? Was it not the gradual concentration of economic power in the hands of individuals and the *legal* right of individuals to the exclusive use and abuse of the means and materials on which the life of the community depends?

TOPIC VII

THIRD ARGUMENT

By JOHN J. MURPHY

**DO FISHERMEN CARRY BAIT TO FEED THE FISH
OR TO CATCH THEM?**

As we reach a conclusion, our differences seem to disappear, but we come down to a really fundamental difference as to statement, rather than as to substance. Mrs. Wood, with an acuteness of perception which does her credit as a debater, if not as a philosopher, voices one of the strongest objections to the programme. "What?" she demands, "are you going to pay tribute to the pirate who is now robbing the people by unjust rents, and give him *more?*"

COMPETITION, THE SOLE EFFECTIVE REGULATOR

I have already indicated that the landlord, in the vast majority of cases, is only registering a scarcity, and that the abnormal rise in prices, by inducing new building, will ultimately destroy itself by accelerating production to a point where the competi-

tion for tenants will be as keen as it is now for apartments and houses. We can greatly hasten the coming of that time, by making the exemption for which I have argued. Thousands of people who opposed the idea originally have come to believe in it.

TOPIC VII**THIRD ARGUMENT**

By EDITH ELMER WOOD

WHAT CONSTITUTES SUCCESS?

Mr. Murphy says he has nothing against my theory but its ill success.

Referring to what?

When New Zealand state loans enable 1000 workmen per year to become home owners, which, considering the difference in population, would be equivalent to 140,000 in the United States, I call that fairly successful.

A policy which has produced homes for 54,632 Belgian workingmen's families (equivalent to nearly a million families in our country) seems to me far from a failure.

A MATTER OF OPINION, OF COURSE

Mr. Murphy's statement that "America without any housing commissions has had better popular housing than Europe has ever dreamed of" seems better suited to a Fourth of July oration than to a serious discussion. The consensus of opinion

among international authorities is that the best working class housing in the world, and the *lowest death rates* (this last not a matter of opinion) are found in English garden cities and garden suburbs. The best we have in this country, the war undertakings of the Housing Corporation and the Shipping Board, were modeled after them.

WHY REPEAT?

As for Government's being preventive and not constructive, I refer the reader to my comments in the last (sixth) rebuttal.

I AM REALLY OFFERING MR. ACKERMAN A LIFE LINE

My thanks to Mr. Ackerman for his kind remarks about my "well-organized conclusion." I am sorry he can't see that the course I have outlined affords the only practical way of starting for the goal he has in view, though it is quite true that it does not *necessarily* lead there. This, to those who do not like the looks of his goal, is not altogether a disadvantage.

TOPIC VII

THIRD ARGUMENT

BY FREDERICK L. ACKERMAN

MR. MURPHY DEFINES THE ISSUE. MRS. WOOD
GROWS IMPATIENT

No space here to deal with the fallacious theory which passes current that "men are endowed with an inherent and inalienable love of indolence"⁴ expressed by Mr. Murphy in the second paragraph of his final argument on this head. This fallacy is exposed by Thorstein Veblen in "The Instinct of Workmanship."

LARGELY A MATTER OF PERCEPTION

Mr. Murphy grasps the situation when he says "some men become possessed of certain kinds of property which are not the produce of any one's service, and are permitted to exact services from others without rendering equal services themselves." There you have it! Of course, as Mr. Murphy says, this condition "is not going to be altered until men perceive it." That men may more clearly "perceive

it" is precisely the aim of my argument. When men do "perceive it"; when they come to understand more clearly that "the *right* of individuals to the exclusive use and abuse of the means and materials on which the life of the community depends" is what makes for the confusion of the present—when this is made plain—it is to be assumed that these rights will come in for a thoroughgoing revision. When they have come in for such a revision we will then be on our way toward solving the housing problem.

MRS. WOOD GROWS IMPATIENT

Mrs. Wood would have me appear as one who would rest content with merely making a "decision" as to the "next steps" to take. I fully realize the problem before us, and advisedly I put the matter as I did, for I am thoroughly convinced that no benefit whatsoever could possibly accrue from the action suggested by Mrs. Wood so long as our system of loan credit and banking runs in the direction of ever increasing inflation; so long as financial business runs in the direction of more wasteful competition and in the direction of creating more useless activiti-e and performing more useless services.

The "next step" is not even a decision as to what *to do*. It is primarily that of discovering what is the matter. It is with this phase of the question that I have dealt almost exclusively. Nor do I assume that it is possible for us to take any

"next step" *immediately* which will materially modify conditions.

Merely saying that what I suggest is "some step" does not make it at all clear that it is not the proper step to take.

⁴ See "The Economics of the Social Uplift," by Leon Ardzrooni. *Political Science Quarterly*, Vol. XXXV, No. 1, March, 1920.

TOPIC VIII

SUMMARY AND CONCLUSION

SUMMARY AND CONCLUSION

BY JOHN J. MURPHY

Fundamental cause of housing famine rests upon an industrial condition which does not enable a great mass of workers to earn enough to provide their families with sanitary, safe and agreeable homes. This fact is unchanged by apparent rise in wages. To meet present emergency we must resort to alleviations. Remedy for the whole social problem too vast a subject for limits of this argument. Self-reliance has solved our problems in the past; it will solve this one, if we use our brains.

ALLEVIATION NECESSARY BEFORE FUNDAMENTAL CURE

Under this head I propose to recapitulate the causes, leading to the housing shortage and the policy, which must be followed, if we are to restore even our former moderate housing supply. Not that I regard the former condition as satisfactory, but compared with present conditions it seems ideal in the retrospect. The point is fairly illustrated by the following story. During the war, Commander Wedgwood, an English member of Parliament, speaking at Cooper Union, New York, said: "The

working classes in England are praying for the return of peace, because they have forgotten what peace was like for them." So with us, many would hail with joy the return of pre-war housing conditions, even though 20% of our population were then living in houses below proper hygienic standards.

WAGES BELOW LIVING COST

The fundamental reason for such a condition was that fully 20% of our population were not earning living wages, and were therefore unable to pay rents sufficient to secure good houses. Low wages were due to the existence of a surplus labor supply, caused in its turn by lack of means for self-employment due to land-monopoly. Now we have a situation, in which wages and rent are nominally high, but the relation between them remains the same. With nominally high wages the poor man is still unable to obtain adequate accommodations, because rents have risen so much. Indeed a much larger number of city people are now living under unsanitary conditions than in 1914. The situation is the same as that so touchingly described by Mr. Dooley in his unregenerate, radical days. He said in substance, "Whether wages are high or low, the workman remains about the same number of jumps behind the porterhouse steak." So does the unskilled laborer lag behind the sanitary and satisfying house or apartment.

AN ORGANISM NOT A MECHANISM

To my mind the social organization is a growth, not a mechanism. Just as some of the functions of the human body are instinctive and subconscious, while some are reasoned and are conscious, so in the social body we have parallel conditions. Food supply and shelter supply are among the most primitive of human needs and their supply is among the most instinctive of human functions. If for any reason, society should fail to desire to furnish these things, government agencies would not help us much. Our situation would be like that of a wounded man whose bones refuse to knit or whose flesh refuses to heal. Dissolution would not be far off. All that we can do in such a case is to find out if we are obstructing the operation of the natural process, create conditions propitious to healing and let nature take its course.

I have shown how Government, with the best intentions, has balked the natural supply of housing. By taxing the production of all things that go into the making of a house, by taxing the money that must be borrowed for the building of houses, by heavily taxing the house itself when completed, it makes investment in houses dubious and prevents the normal flow of capital into a safe investment, on which, under present conditions, a large return could be paid. At the same time, by undertaxing valuable land, it permits that essential item in house construction to be held at prices which present in or-

dinary times a serious impediment to development. It seems too clear to need argument, that before we call upon government to lend artificial aid to building we should insist on its removing the handicaps which it now imposes on private construction. Otherwise we shall be merely urging a waste of energy, due to government taking with one hand what it gives with the other.

GOVERNMENT A NECESSARY EVIL

Mrs. Wood asks "Is Government only a necessary evil?" I have no hesitation in replying, that that is the proper angle from which it must be regarded. As, however, I regard it as just as necessary in some of its manifestations as it is evil in others, I have no sympathy with the point of view of the philosophic anarchist. Most of the remedial legislation enacted is necessary because of previous unwise legislation. It is obliged to resort constantly to the police power, because at one time or another it has given to some people special privileges which later it tries to neutralize, usually unsuccessfully, and nearly always insincerely (witness the Sherman Law).

BOGUS REMEDIAL LEGISLATION

Mrs. Wood seems to think that she is making a point by indicating that the English Housing Act was only passed in 1919. Really this statement prejudices her case very much. I concede that the

latest, and let us hope the last, Housing Act was passed at that time, but it is only the youngest scion of a long family of failures, and I can not put this fact too strongly. It is afflicted with all the hereditary defects derived from a futile ancestry. It is hardly too much to say that up to the end of last year, England had enacted as many housing laws as she has built houses! I have said that this may be the last housing act, because it would seem as if a semi-centenary of failures would convince even the House of Commons that it cannot forever bamboozle the people with bogus remedial legislation, pretending to afford relief, which it never gives.

SOPS TO PUBLIC SENTIMENT

Of course, my statement is not to be taken as denying that at certain times and in certain places, municipal corporations have built blocks of houses, or that private philanthropists have done the same, but all the enterprises cited are so infinitesimally small beside the task which we confront that no comparisons can be made which would be of any value. There may be some public ventures in housing which have paid their own way, but they are rare, while the number that have to be helped out of taxes is great.

A MISLEADING BEACON OF SAFETY

But when all is said and done, the barrier of delay still stands in the way of securing appropria-

tions. After the legislative sanction is obtained, the people of the whole state in which it is to be made operative have to vote upon it, and after all that is done, there will still be legal questions as to whether to use the taxing power for such a purpose would not be contrary to the Federal Constitution. Indeed, so little probability is there of the realization of such a programme that it might seem waste of time to argue against it, but the danger of it is that because it seems specious and attractive, it will draw away earnest persons who will seek the proverbially dangerous "easiest way" and waste energies that might be profitably employed in furthering a practical solution.

MONOPOLY IN FULL CONTROL

There are many ideas latent in Mr. Ackerman's proposals with which I feel some sympathy. It can not be denied that monopolistic control of production has attained such completeness, that it can not well go further, and hence as there is no such thing as an equilibrium in human affairs, it must tend to recede. Quite unintentionally perhaps the cards have been stacked for it by Government, and now they control the dealer. But his proposals envisage the reconstruction of human society, and lead into so many other channels that I have not the space to examine them all. To solve the problem of the individual has, so far in our history, lain with the individual, and he has proved in the main equal

to the task; not absolutely, of course—but as compared with any other nation or state of human society, this is broadly true. That is the only fair standard that we have. Shall we wander off into untried paths, or rather paths which other people have tentatively tried and found to lead to futility, or shall we try to remove the obstacles which we have unwittingly strewn in our path and proceed along the lines, which have brought us material power, prosperity and opportunities, greater than any hitherto known to any section of the human race?

SUMMARY AND CONCLUSION

BY EDITH ELMER WOOD

The American people are neither radicals nor reactionaries. They stand for orderly progress and a square deal for all. Therefore the housing of lower paid wage earners will be removed from the domain of business enterprise, which does not want it, and taken over by the state as a public utility.

HOW FAR WE AGREE

We are agreed as to the seriousness of the housing famine and the menace of congestion, which even Mr. Murphy says endangers "the very life of our nation and civilization."

I *think*¹ we agree that the way to end a house famine is to build new houses; that new houses can not be supplied at a profit to the lower-paid groups of wage earners; that tax exemptions are subsidies; that speculation in land can and should be checked by taxation; and that governments can borrow money at cheaper rates than individuals.

I *hope* we agree that every man who works honestly day by day is entitled to return at night to a comfortable home in which he can raise a family in health, contentment and self-respect.

WHERE WE DIFFER

We differ as to the relative importance of the present shortage of all sorts of houses and the permanent shortage of good houses for working people. Mr. Murphy's interest focuses on the former, Mr. Ackerman's and mine on the latter.

We differ still more as to the remedies to be employed.

Mr. Murphy, at the conservative extreme, is, theoretically, an individualist.² He believes everything will come right if Government only lifts the brakes, removes the obstacles it has stupidly placed in the way of building houses, gives free rein to business initiative and the law of supply and demand. Practically, he advocates applying quite as many brakes as he would remove. He says, to take taxes off of buildings, but to put them *on* land. He is willing to have the State subsidize the speculative builder and landlord in order to secure a better supply of expensive houses, but he is sure it would destroy the workingman's self-respect if his city were to rent to him a comfortable home, as it supplies him with water—at cost. He thinks it would be dangerous to make loans from Postal Savings Deposits to workingman to enable them to become home-owners, but that it would be wise to force national banks to make long-time loans to speculative builders. On the whole he is rather philosophic about the housing troubles of the poor man, and inclined to counsel patience.

Mr. Ackerman, on the other hand, is so thorough-going a reformer that he scorns all palliatives and will consider nothing less than a complete industrial revolution, which is to eliminate profit as a motive.

WHY WE DIFFER

To Mr. Murphy I say, the housing situation as it existed just before the war was the result of more than a century of individualism, business initiative, supply and demand. The system has had its chance and has failed—miserably, tragically. Never, at any time, or at any place, has any population been satisfactorily housed through the sole action of supply and demand and business initiative.³

It sounds plausible to say that every man ought to be able to pay an economic rent on a good house and that wages should be raised till he can. But haven't we had enough of wages and prices chasing each other up an ascending spiral? If only a small fraction of the population were unable now to pay an economic rent, it would not look so hopeless. But it is a question of at least a third of our people—perhaps more. Any such general wage increase would include the building trades and the building materials trades. Whereupon building costs would rise, and rents would rise, and the ratio between them would be the same as ever.

To Mr. Ackerman I say, let us assume for the sake of argument that your theory is correct, that the profit system is essentially vicious. What better

way can you suggest of beginning your reform than by cutting out just one profit in housing—the last one—and opening up the opportunity for a home to a new group of wage earners? If it doesn't open the door to all, push the process back farther—cut out another profit, and yet another. Each step would give the advocates of the present system the chance to prove that its total elimination is not necessary. And if, peradventure, your theory is wrong, civilization will not have been needlessly wrecked. Whatever his confidence of success, the wise general secures his line of retreat.

The English guild movement to which Mr. Ackerman refers is interesting, though to me it seems singularly artificial. The way of progress does not commonly lie in forcing a river to run back towards its source. But has it occurred to Mr. Ackerman that neither guild socialism, nor any other brand, can conceivably be successful in the hands of a slum-dwelling proletariat—physically, mentally, morally stunted and warped by the darkness and the disease germs among which they live? That the destruction of slums and the building up of sane, sound, intelligent masses is a necessary preliminary?

OBJECTIONS TO MY PROGRAMME

I leave it to the candid reader whether my programme is not the only practical and adequate one submitted. I ask also whether any valid objections have been offered to it?

Are not Mr. Ackerman's objections founded on his devotion to an impossible Utopia? Has he answered any of my queries as to *how* his Utopia is to be brought about?

Are not Mr. Murphy's objections based on prejudice and insufficient acquaintance with the history of the measures I am advocating? Has he replied to any of my challenges to quote specific instances of "failure" or "scandal" in state housing and state loans?

AMERICAN PEOPLE NEITHER REVOLUTIONISTS NOR REACTIONARIES

If I know my fellow-countrymen, they would snow under Mr. Ackerman's proposal if it were submitted to a referendum vote, and they would fight to the last ditch rather than have it imposed on them by force. With the ghastly example of Russia before us, we are not likely to scrap our present civilization in the vague hope of constructing a better one on its ruins.

On the other hand, the typical American is certainly not a reactionary. He is not prejudiced against a measure because it is new to him. He believes in orderly progress, and progress involves change. He believes in the square deal and in equality of opportunity for the children of rich and poor. Few would choose to perpetuate slums and high death rates if shown how to get rid of them —especially if the method had already been well tested and proved.

THE FAMINE FOR THE WELL-TO-DO WILL CURE ITSELF

The housing shortage for such as can pay from \$50 to \$150 a month rent can be trusted to take care of itself without subsidies. In such a connection, supply and demand will really work. One can hardly pick up a New York paper without reading of some group of tenants buying an apartment house. If the shortage continues, they will soon start co-operative building. Or they will move to the suburbs, where they can have children (not such a bad idea either!) and build individually. Many are doing so already.

THE POOR MAN IS THE ONE WHO NEEDS AID

But the poor man is an orphan, abandoned by supply and demand, except as those step-parents offer him slum accommodations, which no one else wants and which he, too, would decline if he had any choice. He cannot build or buy. He has neither the cash nor the credit.

THE FUNCTION OF GOVERNMENT

In a democracy, government action is the action of the people collectively. They do collectively the things they cannot do, or cannot do so well, individually. Our complex modern life has greatly increased the number of such things. Water, light, roads, schools, mails, once belonged to the domain of private initiative. Individualists, like Mr. Murphy

have cried disaster at each step; but still the process continues, and the disaster has failed to materialize.

Shelter is a necessity, but a man can no longer go into the woods, cut down trees and build his family a log cabin. And business initiative does not provide for the workingman. Slums injure the health of those who live in them, and spread contagion to the rest of the community. So we *must* have a remedy—practical, safe and progressive.

PROGRAMME OF STATE ACTION

Therefore I advocate:

1. The immediate appointment of national, state and local housing commissions to study the subject, which even yet is not widely enough understood.
2. Long-time housing loans to workingmen at low interest rates under the auspices of federal and state governments. Nearly every civilized government in the world, except ours, already holds out this helping hand to its workers.
3. Municipal housing at cost for lower-paid wage earners, and slum clearance where necessary. British and German experience, especially, show both are feasible.

As Lloyd George said in urging before Parliament the enactment of the present British housing law, which is to provide something like half a million working class cottages, partly at government ex-

pense: "You cannot maintain an A-1 empire on a C-3 population." Nor, by implication, can you raise an A-1 population in C-3 houses.

Is the C-3 rating going to be good enough for *us*?

¹ The reason for my tentative form of assertion may be deduced by comparing the following:

From Mr. Murphy's second rebuttal: "It is not in accord with the facts to state that there have been no private ventures in the field of providing homes for low-paid wage earners."

From his third reply: "There has been little, if any, capital put into cheap apartment construction for a number of years."

From Mr. Murphy's fourth topic: speaking of tax exemptions on new dwellings: "It would, to all intents and purposes, be a subsidy."

From his fourth rebuttal (referring to the same matter): "I pointed out wherein my plan differs from a subsidy."

From Mr. Ackerman's second topic: "If any appreciable volume of such public credit be used . . . private enterprise would ultimately be forced to withdraw from this field of action."

From his third topic: "Adequate homes cannot be built and operated for a rent which the lower-paid wage worker can pay."

² I do not wonder that Mr. Murphy does not want to be classed with the Manchester school of economists, but it only goes to show how impossible it is for one, who like Mr. Murphy, possesses a social conscience, to be a consistent individualist.

³ See U. S. Bureau of Labor Statistics Bulletin 158, p. 9, and First Report Massachusetts Homestead Commission (Jan., 1913), p. 6.

SUMMARY AND CONCLUSION

BY FREDERICK L. ACKERMAN

Little to agree to. Specific suggestions of opponents avoid main issue. My purpose to discover cause before suggesting remedy. Real production can only follow real effort. "How to end it" hangs on attitude toward profit.

Mr. Murphy advocates leaving things alone; but he wants Government "to get out of the way." He would retain financial business control of production and our system of competitive selling. But his specific suggestions, with the exception of tariff revision, are in plain contradiction to his main arguments as noted above. He advocates differentials of one sort or another which are found, when they are tracked home, to be subventions.

Mrs. Wood advocates the creation of federal, state and local housing boards, the use of state credit and municipal housing. With the exception of the creation of the bureaus, her suggestions are out and out subventions.

LITTLE TO AGREE TO

Of the several measures advocated by my opponents, there are but two with which I am in agreement.

I agree as to tariff revision; and of course I agree with Mrs. Wood with respect to the value of gathering information and knowledge having to do with housing and town planning. I would make this reservation, however, with respect to the latter. Housing bureaus attempting to deal with the problem by the shifting about of loan credit, etc., could accomplish nothing of permanent value.

My purpose has been to disclose why it is that we are confronted with a constant drift of population into industrial centers; why we have slums and an ever accumulating shortage of houses.

I stated that congestion of population follows upon a concentration of industry; and that concentration of industry is consequent upon the concentration of wealth (economic power) in the hands of individuals. My argument that the only way to arrest the drift of population into industrial centers was to effect a redistribution of wealth has not been denied by my opponents.

I stated that slums and the constantly accumulating shortage of houses is consequent upon a system of production and distribution which, through competitive selling, must resort to curtailment or sabotage in order to show profit in terms of price. My opponents have neither denied these statements nor have they summoned arguments to demonstrate that any of their proposals would so operate as to make any material difference with respect to these two major matters which I maintain constitute the core of the problem.

WHY AVOID CAUSES?

My opponents have avoided this economic analysis of the problem. They have confined themselves to merely asking, e.g., how investment for a profit could be disallowed. I have assumed that such constitutional changes as Mrs. Wood requires in order to carry her programme into action would be made when people came to view such changes as desirable. Precisely the same holds with respect to that phase of my argument which has to do with property rights. When a sufficiently large number come to so view investment for a profit—the legal right to get something for nothing—as so operating as to cancel their effort, laws relating to property rights will no doubt be changed. So runs history.

DECISION NOT A MATTER OF POLITICAL ACTION

How to shift the control over industry from the field of financial business to that of technology is a matter which will be decided when a sufficient number of people shall have discovered that our system of loan credit and banking (which now controls industry) inevitably results in waste, curtailment and constant inflation—that this system operates against the production of commodities most urgently needed by those engaged in real production—when this becomes a little more clearly understood by a little larger group, the control over industrial processes

will no doubt shift. This is not a matter to be disposed of by political action; forces arising out of a conviction that a change is due will take care of the matter. Again so runs history.

WHY SUBVENTIONS ARE NOT "PRACTICAL"

It has been repeatedly asserted in the course of their argument that a reorganization of industry was not a "practical" matter to consider. But it has not been shown that the adoption of the subventions which my opponents advocate would in any way affect the further concentration of wealth (economic power)—hence of industry—hence, of population.

Nor have they shown that their suggestions would diminish the losses, wastes, curtailments or sabotage, which, as I have shown, are consequent upon our system of competitive selling. They have not shown that the adoption of their suggestions would result in a reduction of the discrepancy which obtains as between materials needed and materials produced. They have not shown that their suggestions would make any change in industrial relations as between employer and employee. Their arguments are completely beside the point as regards these vitally important matters. This assessment of their argument does not hang upon economic theory. An inquiry into the situation in Europe in pre-war days discloses that the system of subventions such as Mrs. Wood advocates had failed to arrest the drift toward concentration of wealth and industrial population;

it had no effect upon the general industrial situation and the discrepancy above referred to was increasing.

We are confronted with the stubborn fact, which my opponents have not denied, that the modern financial system can not function except through a constant curtailment of production—without the production of waste and rendering of socially useless services. Hence I came to the conclusion that in point of “practical” value, the disallowance of that Right which invites individuals to legally acquire wealth and power without rendering any service whatsoever, is to be accorded first place.

“GOOD INTENTIONS” MET WITH TROUBLE

Of course, the advocacy of any action which carries the suggestion that it will make for the common welfare is likely to be viewed with favor. But we lose sight of the condition that under the rules of financial business the common welfare is a matter to be viewed with favor only when action toward that end can certainly show a profit in terms of price. Thus we cut away the foundation of our good intentioned effort as rapidly as we advance with it.

Headlines in our serious morning papers explain to us now and again that “sustained supply of cotton hangs on price.” And quite as seriously we rationalize the matter and say of course the supply of clothing—of food—of shelter hangs on price. And we go off to “business” and all day long we occupy

ourselves in seeing to it that whatever product we may be "interested" in shall be so "controlled" in volume as to keep the price up. "Too much milk to sell" is in the eyes of modern business enterprise, always assessing results in terms of profit and in terms of price, a far more serious matter than "not enough to drink."

Of course, we go short of the necessities; it cannot possibly be otherwise. For if it were possible through subventions (which I deny) to overcome the discrepancy our whole system of loan credit and investment for profit would go by the boards. Financial business may exist and continue only by creating and maintaining a discrepancy.

The result of maintaining this discrepancy is financial profit; hence a concentration of wealth in the hands of individuals; hence as I have shown, in the concentration of industry; hence of population.

Our problem (congestion, slums, shortage) resolves itself into that of setting events in motion toward the redistribution of wealth. It is not to be assumed that this may be done in a moment. But it is utterly futile to assume that our aims may be achieved so long as we recognize and maintain that individuals possess a right to acquire wealth without performing any service.

HOW LONG WE MUST WAIT

Under present conditions—with our attitude toward maintaining the right to exploit—how to arrest

the drift of population into industrial centers; how to arrest the building of slums; how to end the housing famine must remain a riddle. And it will remain an unanswered riddle just so long as the legal right to acquire wealth, without rendering service in return—the right to profiteer and exploit stands firm.

THE END

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